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POSSIBLE EXTENSION OF THE FEDERAL SUPPLEMENTAL COMPENSATION PROGRAM

HEARING

BEFORE THE

COMMITTEE ON FINANCE
UNITED STATES SENATE

NINETY-EIGHTH CONGRESS

FIRST SESSION

SEPTEMBER 16, 1983

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POSSIBLE EXTENSION OF THE FEDERAL SUPPLEMENTAL COMPENSATION PROGRAM

FRIDAY, SEPTEMBER 16, 1983

U.S. SENATE,
COMMITTEE ON FINANCE,
Washington, D.C.

The committee met, pursuant to notice, at 12:05 p.m., in room SD-138, Dirksen Senate Office Building, Hon. Robert Dole (chairman of the committee) presiding.

Present: Senators Dole and Heinz.

[The press release announcing the hearing follows:]

[Press release No. 83-179 from the Committee on Finance, U.S. Senate, Aug. 26, 1983]

FINANCE COMMITTEE SETS HEARING ON FEDERAL SUPPLEMENTAL COMPENSATION PROGRAM

The Honorable Robert J. Dole (R., Kansas), Chairman of the Senate Finance Committee, announced today that the Committee will hold a hearing on Friday, September 16, 1983, on the Federal Supplemental Compensation (FSC) Program. The FSC program provides additional weeks of unemployment compensation benefits to unemployed workers who have exhausted all regular State benefits and any Federal-State Extended Benefits which may be available. The FSC program is scheduled to expire on September 30, 1983.

The hearing will begin at 2 p.m. in Room SD-215 of the Dirksen Senate Office Building.

In announcing the hearing, Senator Dole noted that "July drop in unemployment was great news for all Americans. The positive indicators of 1982 are beginning to pay off in the numbers that matter most—jobs for Americans."

"However," Senator Dole continued, "we still have a way to go before the unemployment rate reaches an acceptable level. Therefore, this hearing will present a valuable opportunity for the Finance Committee to consider the role of the FSC program in providing benefits to those who remain unemployed."

"It is also important to remember that the FSC program has already been extended twice and will have provided benefits to approximately 5 million individuals at a cost of some $5.6 billion by the end of September," Senator Dole concluded. "In considering whether a third extension is warranted, the Committee will want to keep cost factors in mind. There is widespread agreement among economists and others that the large deficits facing us in the future could jeopardize the current recovery. Further Federal deficit spending, for whatever purpose, must be carefully weighed."

[Press release No. 83-179 (revised) from the Committee on Finance, U.S. Senate, Sept. 14, 1983]

SENATE FINANCE COMMITTEE RESCHEDULES FEDERAL SUPPLEMENTAL COMPENSATION PROGRAM HEARING

Senator Robert J. Dole (R., Kansas), Chairman of the Senate Finance Committee, announced today that the Committee hearing on the Federal Supplemental Compensation Program, which was originally scheduled for 2 p.m. on Friday, September 16, 1983 has been rescheduled.

The hearing will now begin at 12:00 p.m., Friday, September 16, 1983, in room SD-138, of the Dirksen Senate Office Building.

Also present: Rod DeArment, chief counsel, and Michael Stern, minority staff director.

The CHAIRMAN. We moved this hearing from 2 o'clock until noon. I hope that has not inconvenienced too many people, but there were a number of conflicts that might occur later on. Several Senators wanted to leave town early today, and we have indicated to those Senators that we would first call on Secretary Donovan.

I would say, Mr. Secretary, that we have followed the testimony of your department in the House. I would like to insert a statement in the record welcoming you to the committee and indicating the committee's willingness to try to face up to the problem of continuing high unemployment.

Today's hearing focuses on the Federal supplemental compensation program, which will expire on September 30. I have reviewed the 18-month extension proposal of the administration and I certainly support that objective. I think you have properly responded to this country's serious unemployment problems. I would hope we could work out a bipartisan approach to this problem. With that, I would put my statement in the record.

[The prepared statement of Senator Dole follows:]

STATEMENT OF SENATOR DOLE

It is my pleasure to welcome the Secretary of Labor, Ray Donovan, to the Finance Committee today. The committee appreciates the willingness of the Secretary to alter his schedule to appear at this earlier hour than we had originally planned.

Today's hearing focuses on the Federal supplemental compensation program which will expire on September 30. I have reviewed the administration's proposal to extend the program for 18 months and I support that proposal. The administration has properly responded to the serious unemployment problems which persist in many parts of the country despite the continuing strong recovery.

The Federal supplemental compensation (FSC) program was part of the Tax Equity and Fiscal Responsibility Act of 1982. Unemployed individuals began receiving benefits under the temporary program of September 12, 1982 and the program has been expanded and extended twice. The current extension, part of the Social Security Amendments of 1983, expires on September 30 unless Congress takes quick action. I applaud the administration for proposing this historic extension. An 18-month FSC program would provide necessary assurances to newly unemployed individuals or those who may face layoffs that these emergency unemployment benefits will be available beyond some arbitrary date. An 18-month extension also enables the Congress to evaluate the program now and provide an extension of sufficient length to provide some degree of certainty for the beneficiaries and the administrators of the program.

As chairman of the Finance Committee which has jurisdiction over the Federal unemployment insurance system, I appreciate the fact that the FSC program represents a significant financial commitment on the part of all American taxpayers to assist unemployed workers during a difficult period. The FSC program will have paid benefits to over 5 million people at a cost of some $5.6 billion by the end of September. The extension proposed by the administration would add another $3 billion to that commitment. This is not an expenditure which can be taken lightly and it deserves serious consideration by the House and the Senate.

Beyond this FSC extension, it is difficult to see that further action, as some have proposed on the permanent extended benefits (EB) program, can be justified. Some, in the Senate and in the House, would rollback the EB program reforms which passed as part of the 1981 Omnibus Budget Reconciliation Act. Such reversals of sound policy reforms would not only add to the Federal and State Government costs for unemployment programs,; but would also increase the payroll tax burden which already threatens the prosperity of many small and medium sized businesses. This is surely not an action to be taken at this delicate point in the economic recovery.

I hope my colleagues on the Finance Committee and in the Senate will keep in mind the progress already made toward improving the employment picture when considering the FSC extension. I would remind them that when the FSC program was put into effect just 1 year ago, the total unemployment rate nationally was 9.8 percent and rising. By December of 1982, that rate had peaked at 10.8 percent. At one point in the recession, 11.4 million Americans were out of work. Steady economic growth has occurred since December and economists are basically optimistic that continued improvement is in our future. Unemployment has experienced a steady decline. This summer the unemployment rate had its largest 1-month decline since 1959 with the rate dropping from 10 percent to 9.5 percent. This represents employment growth of more than 2.5 million jobs and the increase in production in many sectors should lead to significant improvement in the months ahead.

Yet, there can be no denying that unemployment is the most serious problem facing the country on the domestic front. Long-term unemployment has grown and the problem of dislocated workers has been well documented. The administration, through its support of the Job Training Partnership Act and its efforts to develop programs for retraining, has initiated the appropriate response to what must be considered "structural unemployment." For those unlikely to return to previous jobs, this retraining can make a real difference.

The Federal supplemental compensation program is designed to provide limited financial support on a short-term basis. The proposal presented by the administration today improves the current program by targeting benefits more effectively and simplifying program administration. I urge Congress to move quickly to approve this FSC extension.

The CHAIRMAN. Let me call on you, Secretary Donovan.

STATEMENT OF HON. RAYMOND J. DONOVAN, SECRETARY, U.S. DEPARTMENT OF LABOR, ACCOMPANIED BY BERT LEWIS, ADMINISTRATOR, OFFICE OF EMPLOYMENT SECURITY; DAN BENJAMIN, ACTING ASSISTANT SECRETARY FOR POLICY; JAMES VAN ERDEN, CHIEF ACTUARY, UNEMPLOYMENT INSURANCE SERVICE; AND CAROLYN M. GOLDING, DIRECTOR, UNEMPLOYMENT INSURANCE SERVICE

Secretary DONOVAN. Thank you, Mr. Chairman.

I will just try to summarize my statement in a minute or two, and will submit it for the record.

The CHAIRMAN. It will be made a part of the record as though given in full.

Secretary DONOVAN. Thank you.

Mr. Chairman, since I am sure you are aware of the testimony we gave in the House last Tuesday, I would like to point out that my testimony today is, of course, identical. But I would just like to stress that I agree with you, and the statement that you have made, that this 18-month extension of the Federal supplemental compensation is historic.

It is historic for the obvious reason that has not been suggested before. It gives continuity and predictability, and it expresses, in my view and in the President's view, a very balanced approach between fiscal responsibility and the true human costs and pain that have been experienced during this recession by the unemployed.

It is extremely responsible in my view, and it forces all of us to focus at one time on this balance, rather than on a 6-month piecemeal extension where that focus is not very clear. The last extension is an example of this lack of focus. The cost of that last extension—now, this is the fiscal side—was two and a half times what we and the Congress expected it would be at the time it was enacted.

So, these are the major reasons that we are suggesting this approach. We obviously agree with you, Mr. Chairman, that we hope this is addressed in a constructive and bipartisan manner, because, in our view, it is critically important that this type of legislation be passed.

I will submit my prepared text.

[The prepared statement of Secretary Donovan follows:]

STATEMENT OF RAYMOND J. DONOVAN
SECRETARY OF LABOR
BEFORE THE
COMMITTEE ON FINANCE
UNITED STATES SENATE

September 16, 1983

Mr. Chairman and Members of the Committee:

I am pleased to have the opportunity to address you today.

When I testified before the Committee in February, I expressed optimism regarding both the recovery of the economy and a corresponding reduction in the burden of unemployment. My optimism concerning the economic recovery certainly has been justified; the recovery has been more vigorous than anyone anticipated.

We have achieved substantial economic growth in the last 9 months, along with a lowering of inflation and signficant reduction in unemployment. Real gross national product rose at an annual rate of 5.9 percent in the first half of 1983, while industrial production rose at an annual rate of 17.5 percent. At the same time, the unemployment rate has fallen from its peak of 10.8 percent in December of 1982 to 9.5 percent in August, reflecting an employment growth of 2.5 million jobs. Moreover, these gains were achieved with very little inflation; the Consumer Price Index rose only 2.4 percent in the 12 months ending in July 1983.

I continue to be optimistic about the economic recovery. I believe that much of the current unemployment problem will be solved through sustained, stable economic growth over the

next several years. This expansion, however, is not likely to reduce unemployment as quickly as we would like. Unemployment continues to be a major problem for many families, including many job seekers who have demonstrated a firm attachment to the labor force in the past. Given our current high level of unemployment and our experience in previous economic recoveries, it seems clear that we can expect only a gradual decline in unemployment.

This Administration believes strongly, as does the Congress, that the burden of unemployment must not fall solely on those unable to find work. The task for this Committee and the Administration is to balance our concern for the unemployed worker against those economic policies that will foster and sustain the economic recovery. Our only hope for achieving continuing reductions in unemployment is through long-term, vigorous economic growth.

I am here today to present an Administration proposal to both modify and extend the Federal Supplemental Compensation (FSC) program. I believe that the proposal not only will relieve a great deal of the unemployment burden in the coming months, but it also will recognize current budget realities. Let me briefly highlight the major components of the proposal.

We are proposing to continue the FSC program for 18 months, through March 31, 1985. An 18 month extension of the program would acknowledge the likelihood, based on past recessions,

that unemployment is likely to decrease gradually during this period of the economic recovery. Given these expectations, one 18-month extension is far preferable to a series of short-term, last minute extensions. A longer term extension will assure unemployed workers that needed financial assistance will be available, while permitting Congress to address the full costs of the program.

As part of an FSC extension, we are also proposing a modification to the current program that will provide a much-needed simplification of benefit determination, and a level of benefits appropriate for the recovery that is taking place. Specifically, we propose to replace the existing four tiers of FSC benefits spanning 8 to 14 weeks, with a more streamlined three-tiered program providing 6 to 10 weeks of benefits for individuals. Varying durations of FSC benefits would be based on the following insured unemployment rates in a State:

5 percent or more	-	10 weeks
4 but less than 5 percent	-	8 weeks
Under 4 percent	-	6 weeks

This proposal would enable us to continue eligibility of FSC recipients who are now drawing benefits according to the schedule I just set out. However, the proposal does <u>not</u>

contain a reach-back provision to provide additional weeks of benefits for those individuals now drawing FSC or for those who have exhausted their FSC eligilibity. We are sympathetic to the plight of the long-term unemployed. At the same time, we do not believe that all of their needs can be met through the unemployment insurance system. The current system has provided UI benefits of up to 65 weeks for many individuals. In light of the strong economic recovery, and severe constraints on resources, it is inappropriate to continue extending additional weeks of FSC benefits to those who became unemployed in a previous period. The Administration will not accept FSC legislation that includes a reach-back provision.

We believe this proposal is both fair and fiscally responsible, and that it will improve the effectiveness of this vital assistance program. Extending the program for 18 rather than 6 months will assure needed financial assistance for those who do not immediately share in the fruits of the economic recovery. At the same time, the pace of economic recovery and administrative complexity of the present program argue for returning to a simple three-tiered program such as was originally enacted this time last year. Finally, the avoidance of reach-back provisions would target available resources on those individuals who become unemployed in the coming months.

I would stress that we propose to deal with the current problem of high unemployment through an extension of the temporary

FSC program. Because it is inappropriate to address a temporary problem through changes to a permanent program, the Administration strongly opposes any changes to the Extended Benefit program. I am convinced that legislation changing the Extended Benefit program would not be approved by the President.

Our proposal for a modified, 18 month FSC program would cost $3.3 billion. Approximately $1.0 billion of this amount would be spent during the first six months of the program through March of 1984, with the remaining $2.3 billion expended over the ensuing 12 months. Benefit outlays would be $2.2 billion in Fiscal Year 1984 and $1.1 billion in Fiscal Year 1985. We believe that this is the maximum amount of resources that can be devoted to additional FSC expenditures during these periods.

We also urge that Congress reconsider those elements of the Employment Act of 1983 (S. 1023) that have not been enacted, particularly the proposals for an FSC job voucher program, which would permit claimants to convert their FSC benefits into a voucher that would help them get a job, and a youth differential minimum wage for summer employment. We continue to believe that these proposals are needed to provide employers with added incentives to hire FSC recipients and inexperienced youths.

In closing, I wish to express both the Administration's and my personal concern that the condition of those now facing unemployment be improved. As the economy continues its strong recovery, our proposal to extend and modify FSC will help meet the immediate needs of the long term unemployed.

I continue to be optimistic about the year ahead, and believe that the proposal I have discussed today is essential to assure future prosperity and the equitable sharing in that prosperity by all Americans.

Mr. Chairman, this concludes my prepared statement. I and my staff will be glad to answer any questions you may have.

The CHAIRMAN. I would say, Mr. Secretary, as we have done in the past, we will be working with you and the people in your department. There may be, in fact, some questions that I will submit to you in writing. What we hope to do today is make a good record, have that reviewed by the staff and all of those who have an interest, the people who benefit, the people who pay, and those of us in government who have the responsibility for the program and its development.

In the last 2½ years we have always worked in a bipartisan fashion. Largely through your efforts and efforts of others in the House, the Senate, and the White House, we have been able, I think, to satisfy the just concerns of organized labor, the unemployed, and the taxpayers. We seek to do that now. We are not interested in undoing the reforms of 1981.

The Federal Government pays the full cost of the FSC benefits, as I understand it. What was the cost last year?

Secretary DONOVAN. About $5.6 billion.

The CHAIRMAN. Well, $5.6 billion is a lot of money. We would not share the view of the House, I hope, in expanding the program to include people who may have been unemployed in 1979. There are certain limits to how far we can go, despite the concerns many people have, so I appreciate your testimony. Your testimony will be made a part of the record. I will submit some questions. Perhaps some of the technical people might remain during the hearing.

Secretary DONOVAN. That would be fine, Mr. Chairman. If you would allow me, I would like to stress the point that you made. In trying to summarize my statement, I left it out, but it is in the testimony. I think it is critical. In fact, I am convinced it is critical in the President's mind, that the extended benefit program that we instituted together back in 1981 not be affected by the decisions now.

We are talking about unemployed people who are going off benefits October 1. That is what this legislation is aimed at.

The CHAIRMAN. Thank you very much, Mr. Secretary. We appreciate it.

Secretary DONOVAN. Thank you, Mr. Chairman.

The CHAIRMAN. Senator Specter, would you like to go next? Let me say that Senator Specter has no questions. He is not on the committee. He is simply going to testify, and that is why he is here. You may be excused, Mr. Secretary.

Secretary DONOVAN. Thank you very much, Mr. Chairman.

STATEMENT OF HON. ARLEN SPECTER, U.S. SENATOR FROM THE STATE OF PENNSYLVANIA

Senator SPECTER. Thank you very much, Mr. Chairman, for inviting me to join you on the panel, even if it does not extend my rights to the range of cross examination. I have done enough of that during my career so far to foreclose it a bit. I thank you also for the invitation to stay in this position to present my testimony.

I have an extended statement which I ask be made a part of the record, and I will summarize my views briefly, if that is acceptable to the chairman.

The CHAIRMAN. It is not only acceptable, it would be highly desirable.

Senator SPECTER. Well, there is always a call for brevity, even though it is seldom achieved in these august halls. I know that the chairman whispered politely about a plane to catch. It is Friday afternoon. I will be brief.

I believe that it is vital that unemployment compensation be extended beyond the September 30 date, because of the very serious situation which confronts 10½ million Americans who are unemployed, a number which includes some 620,000 Pennsylvanians who are unemployed.

During the course of the August recess, I had an occasion to travel extensively in Pennsylvania, to hold open houses in Wilkes-Barre, Scranton, York, Gettysburg, Chambersburg, Pittsburgh, Erie, Mercer, Butler, and in many places through the State, and the sessions were attended in significant numbers by people who are out of work.

These people, by and large, had made sincere efforts to find work, but simply could not do so. Although we talk about an economic recovery, and I think there are some incipient signs of it, although I do not wish to draw the conclusion that we are recovering, there are in fact many parts of the nation which have not benefited from the recovery.

Senator Heinz could not have entered at a more appropriate time, because a State which has been in a very serious situation is our own State of Pennsylvania, relying very heavily on smokestack industries such as the steel and coal industries, where there are massive numbers of those, especially from western Pennsylvania, who remain unemployed. That effect is across the State as well; in the Lehigh Valley, where I had an open house, where people have been laid off by Bethlehem Steel, or in Johnstown, again, by Bethlehem Steel, and all across the State.

The legislation which I have introduced would extend for a 6-month period, and I have no special pride of authorship in my legislation. I am confident that the Congress and the Senate under the leadership of the distinguished chairman of the Finance Committee will move ahead on this field.

The legislation which I have introduced would further eliminate the 120-percent trigger factor, which really makes no sense in today's economy. The Federal supplemental compensation benefits have triggered off for all but two States, and that is unrealistic in terms of Pennsylvania's situation, for example, where there are 10.8 percent of the people who are unemployed at the present time.

On August 5, when the percentage dropped by one-twentieth of 1 percent, some 45,000 families were denied unemployment benefits in Pennsylvania by that one factor alone, and I think it is a matter of basic justice to eliminate that triggering factor.

During the course of the recess, I took the occasion to visit some unemployment compensation offices in Wilkes-Barre, Scranton, and in Pittsburgh, and stood for more than an hour behind the tables, for example, in Pittsburgh, as people came up to apply for their unemployment compensation benefits., During the course of that period of time, I could not master the intricacies of basic unemployment, extended and supplemental. Those words defy logical

definition. They really mean about the same thing, as you look at the dictionary definition, but they mean very different things under very technical applications as the laws have been written.

I believe that the comprehensive legislation introduced by Senator Heinz and Senator Byrd which was the subject of testimony earlier this week in the House of Representatives would be a significant step forward if adopted. The unemployment compensation laws are extrordinarily complicated. I can say that one Philadelphia lawyer does not understand them after taking a fairly close look, and it is expecially disheartening for those who have to be in the unemployment lines to wait those long periods of time, and see clerks who have such a complex matter to explain.

So, I am hopeful that a number of things will be accomplished, that we will promptly extend the period beyond September 30, and give assurances to those who are unemployed that that will be done, and that the long range solution as proposed by the Heinz-Byrd bill will be taken into account. I am hopeful that the triggering factor will be eliminated, and that there may even be a sense of optimism expressed by others in the Senate that I would voice for those who are unemployed at the present time, and who are fearful tht their benefits will lapse on September 30, that that will in fact not happen. I am hopeful that the Congress is determined to extend the benefits, and the administration will concur in that, so that people will be able to have the basic moneys to keep body and soul together.

I thank the Chair.

[The prepared statement of Senator Specter follows:]

TESTIMONY OF U.S. SENATOR ARLEN SPECTER

Mr. Chairman, thank you for the opportunity to testify on the extension of unemployment benefits.

Yesterday I introduced a bill to ensure that millions of American workers who are still unemployed as a result of the recent recession will continue to be able to receive extended unemployment compensation benefits. Specifically, my bill would extend the federal supplemental compensation (FSC) program from October 1, 1983 through March 31, 1984, a six month extension beyond the present deadline of September 30, 1983. My bill will also ensure that workers whose benefits have expired on September 30 remain eligible for the so-called "reach back" provisions contained in the Social Security bill passed last March. However, simple extension of the FSC program is not enough. In addition, my bill would suspend the 120% "trigger" requirement for the extended benefits program, which provides 13 weeks of extended benefits (beyond the normally provided 26 weeks).

The federal supplemental compensation program provides up to 24 weeks of federally funded unemployment benefits to individuals who have exhausted their regular and extended benefits. Over three million workers have received federal supplemental benefits in the past six months; if we do not act now to extend the program many of those presently receiving benefits will be cut-off as of September 30; in addition, given present unemployment rates, millions more will exhaust their regular and extended benefits without having found a job. The situation

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is, in some respects, even worse now than it was in April 1983, when we last extended the federal supplemental compensation program, because all but two states have now triggered "off" from the extended benefit program. Under that program, which is permanent, 13 weeks of benefits beyond the "regular" 26 weeks are provided under the following conditions: (1) the State's insured unemployment rate is over 6%; (2) the State's insured unemployment rate is in the range of 5%-6% and for the past 13 weeks the rate is 120% of the rate for the comparable period during the past two years.

For millions of Americans the recession is not yet over. Our unemployment rate still stands at over 9%; really a staggeringly high figure compared to any other period since World War II. Furthermore, the overall rate merely represents an average throughout the nation. In many states and individual communities the rate is much higher. In Pennsylvania, the statewide rate presently stands at 10.8%; in Beaver, Cambria, Cameron, Fayette and Somerset counties the rate is over 20%. In Cameron county, the rate is an almost unbelievable 29%.

Our unemployment statistics tell a grim story; but statistics are just numbers. To understand what the statistics really mean, in human terms, it is necessary to see and listen to the actual human beings whom the statistics represent. During a recent tour of Pennsylvania, I visited a number of unemployment offices and held thirteen open houses. Over and over again I heard stories of people who had worked all their lives but

now for the first time have found themselves out of work for extended periods, often more than a year. Many of these people are highly skilled; virtually all of them have deep roots in their communities. It is not easy for them to cope with the loss of their jobs. For most, unemployment benefits are the only means they have of survival, other than simply going on welfare.

In communities like those I have mentioned, which have unemployment rates of over 15%, the continuation of unemployment benefits is not only essential to the individuals who are receiving it, but also to the continued well-being of the entire community. Unemployment compensation benefits are not spent on luxuries. They are used to make mortgage payments, buy groceries, and for other necessities of life. In these communities the cut-off of unemployment insurance benefits would have serious repercussions for the whole economic structure of the community.

Unemployment insurance benefits thus represent not only humanitarian assistance for individuals, but they also are the means of insuring that a bad overall economic situation does not become even worse, as happened during the Great Depression. There is hardly any doubt that with unemployment levels at the depression levels they have been during the past two years, a major reason we have not had the kind of total economic collapse that occurred after 1929 is because of our safety net programs, such as unemployment insurance.

There is ample precedent for the bill I am introducing today. Indeed, conditions are far worse today than they have been in the past when Congress has acted both to suspend the 120% trigger requirement for the 13 week extended benefit program and to provide federal supplemental compensation. For example, federal supplemental benefits were provided in 1972 when total unemployment was six percent, and in 1975-1977 when unemployment was in the range of 6-8 percent. Since the early 1970's Congress has suspended the 120% trigger requirement on no less than eight separate occasions, on all of which the unemployment rate was much lower than the current rate.

One of the obvious problems with the 120% trigger requirement, in particular, in today's environment, is that it is keyed to the insured unemployment rate rather than the total unemployment rate. According to the latest "trigger" notice from the Department of Labor, dated August 20, 1983, all but two states have now triggered "off" the extended benefits program. Pennsylvania triggered off the program on August 6, 1983. The reason most states have triggered "off" is that their insured rates have fallen below 6% and since their insured rates have been decreasing, they cannot meet the 120% trigger "on" requirement. Given the actual unemployment rate in many states, this result is unconscionable.

Today the percentage of unemployed workers receiving unemployment benefits, i.e., those who make up the insured unemployment rate, have dropped to an all time low - 38%. Historically,

as much as 70-80 percent of unemployed workers have been eligible for unemployment compensation benefits. The disparity between the insured unemployment rate and the total unemployment rate is very disturbing; at least part of the cause is the fact that so many workers have exhausted benefits during this recession. Thus, the fact that this recession has been so severe has, ironically, produced a situation where fewer of our unemployed workers than at any time in history are actually eligible for unemployment compensation benefits.

The 120% trigger requirement was really designed to deal with short, sharp recessions. This was the typical nature of the recessions we experienced between 1945 and 1975. Today, however, we are faced with an entirely different situation. This recession is without parallel in our post-war history. As we come out of it, many communities are being left behind in an economic sense. We have a long way to go to return to anything like full employment, yet under present law workers in only two states will presently qualify for the thirteen weeks of extended benefits. In FY 1983 over 4 million workers exhausted their regular benefits; we can anticipate that over 3 million workers will exhaust their regular benefits in FY 1984. For these workers the 13-week extended benefits program represents an essential first level of additional protection. I believe that in today's environment the 120% trigger requirement is totally unrealistic, and I hope that a majority of my colleagues will join me in voting to suspend it.

Clearly, this system is not working when over 60% of the unemployed workers in this country do not receive benefits and many states are hopelessly mired in debt. As part of the long-term solution to this problem, I have cosponsored legislation by Senator Heinz and Senator Byrd which provides for a comprehensive overhaul of existing law.

In the short term, we need to take prompt action on the legislation which I have discussed. If we do not act by September 30, 1983, the combined result of the termination of both federal supplemental compensation and extended benefits will be devastating to millions of unemployed workers and the communities in which they live.

The CHAIRMAN. Thank you very much, Senator Specter. I would just thank you for your present interest and past support, along with Senator Heinz. Pennsylvania is one of the key States faced with high rates of unemployment. It has suffered more than many other States. I am not sure where you rank, but it must be very high, along with Michigan and other industrial States.

It is my understanding that there may be a 45-day extension sent over by the House next week. That would extend the program through November 15. I think we could deal with it by September 30 in its totality, but if that is the case, we will have some more time.

I would also share the concern expressed by both Pennsylvania Senators, Senator Durenberger, Senator Quayle, and Senator Hatch, who were in our meeting yesterday with Mr. Stockman, that we might be able to work out in that same time frame some health care benefits for the unemployed. That is a matter of particular concern, I know, to both of the Pennsylvania Senators. One difference between the Senate approach on that and the House is that we intend to pay for our program through reductions in spending or some revenue measures. It just seems to us to be bad policy to start enacting new entitlement programs that could be around for a long time without funding those programs.

I would say to those on the House side, if they really want health care for the unemployed, they should be prepared to finance it.

Senator SPECTER. Mr. Chairman, would this be an appropriate time for some expression of hope that the unemployment benefits will be extended from all current predictions?

The CHAIRMAN. Yes.

Senator SPECTER. I know that there are many people out there who are very worried that that is not going to happen.

The CHAIRMAN. Obviously, we have a responsibility that we are going to fulfill. I guess sometimes we go down to the wire, and we are now not far from September 30. Yesterday, I visited with the chairman of the Ways and Means Committee, and there is no

doubt in my mind that he will have a bill over here in time for us to deal with, if not the full 18 months, at least a temporary extension to give us time to work on a full program.

Senator SPECTER. So that people will be assured that benefits will not lapse as of September 30?

The CHAIRMAN. That is correct.

Do you have questions of Senator Specter, Senator Heinz? Or maybe you want to clear up some of the things that I said.

Senator HEINZ. Well, we will try, but not too hard. Mr. Chairman, thank you.

First of all, let me commend Senator Specter on his testimony. He has truly been a leader here in the Senate on programs that affect the unemployed, not only with respect to urging extensions of the Federal supplemental benefits program, targeting its assistance to those States and those people most in need, but he has done an outstanding job in advancing, with your help, Mr. Chairman, as well as the great involvement of others, Senator Durenberger, and me, health insurance for the unemployed.

I might add, Mr. Chairman, that we look forward to moving ahead this month on the Senate floor with health insurance for the unemployed. I do not think it is unfair to say that the meeting that you, I, Senator Specter, and others had yesterday, I think, has resolved the barriers here in the Senate as far as I can see them at this time to the Senate passage of health insurance for the unemployed. This will come, I think, as good news to those people who are most afflicted by the recession.

Let me add, Mr. Chairman, that we have a terribly important job here with respect to FSB. The administration is to be commended in sending down an 18-month extension of the program. That is nearly unprecedented for any administration, Republican or Democratic. It is not an inexpensive decision. It is priced between nearly $3 and $3.3 billion.

There are some difficulties that I personally have with some of the details of the administration's proposal. For example, we need to deal with the issue of reachbacks. That was not proposed by the administration. There are a large and significant number of people whose benefits have been exhausted. Some 800,000 have lost their benefits, their Federal supplemental benefits since the program was enacted.

One group of them who lost their benefits before March 31 of this year did benefit from a reachback of approximately 6 weeks. For those who have triggered off since March 31 of this year, I suspect a lot of them are in West Virginia as well as in Pennsylvania, seeing the distinguished Governor of West Virginia before us, there will have been no additional assistance in spite of the fact that that group of people who would have triggered off beginning April 1 is obviously a group of people who have been without now for going on or what will have been nearly 6 months. So, we need to address our attention to that.

Second, I understand that the administration has to have a program that will have the maximum amount of political support. It does strike me that in offering 10 weeks of benefits to States such as Pennsylvania which have a 10-percent unemployment rate, while offering 6 weeks of extended Federal supplemental benefits

to States that may have a total unemployment rate of 5 percent or an insured unemployment rate of less than 4 percent, we are not targeting as effectively as we should the resources that the administration proposes to expend.

I think these are subjects we want to get into with our other witnesses who are here today. I will not dwell upon them at length. I do not think that any of these are insoluble, although usually nothing is for free. I can think of some ways to offset some of these costs, but I am not sure, Mr. Chairman, that for an 18-month program we could do everything that needs to be done within the budget suggested here by the administration.

I would hope, however, that we would be able to enact a program of sufficient duration that it is not, as we have seen for the past year and a half, an on again, off again, on again, off again, Perils of Pauline kind of exercise. It is bad enough for us in Congress. It is worse for the people Senator Specter has visited trying to administer the program in the unemployment office, but it is intolerable and inhuman for people who must go to the unemployment office to find that maybe there is some help for them and maybe there is not, depending on which day of the week they show up.

That is not the kind of unemployment compensation system any of us feels proudly about. It is the kind of change that I think the administration understands is needed when they take this step forward on the FSB program.

I would only add, as I am sure the chairman knows, that Senator Byrd and I have introduced more comprehensive, more sweeping legislation. It needs to be looked at carefully. We should not rush ahead with it, but I think we do not want to procrastinate on overhauling our system either.

It is my hope, Mr. Chairman, and it will be possible that at a convenient but not too distant time we may be able to hold hearings of the Finance Committee to explore in some depth the kinds of reform of what is now the extended benefit/Federal supplemental benefit program, so that we can get a more effective program, and one which for a variety of reasons when we deal with it piecemeal always ends up with, frankly, the neediest States having to give a lot away to the less needy States in order to get the votes to pass the program.

Let us not kid ourselves. That is what has been happening. We have been having to dilute our efforts on behalf of the neediest in order to get the 218 votes plus in the House and the 51 votes plus in the Senate. Some people may say, well, that is politics. It is also bad public policy.

One of the reasons that I want to close on the note of commending the administration for its 18-month program is that I think it has come to understand that short-term programs end up hurting those most in need. I commend them for looking down the road and understanding some of the basic problems we have learned to face.

Thank you, Mr. Chairman. I hope Senator Specter will answer that question.

The CHAIRMAN. Yes is the answer. Thank you. [General laughter.]

Did you want to answer him, Arlen?

Senator SPECTER. I already have, really.

The CHAIRMAN. Well, let me say, the cost of the administration's 18-month program, as I understand it, is about $3.3 billion, rather than $1.5 or $2 billion, so it is an expensive program. As I have indicated earlier privately to Senator Heinz, and I will to Senator Byrd, we will have appropriate hearings at an early date on the Byrd-Heinz proposal, which is, as I understand it, sweeping in nature. Well, maybe not sweeping, but certainly different from the proposal before us.

Senator HEINZ. Just call it comprehensive and responsible, Mr. Chairman.

The CHAIRMAN. That is right. It is a comprehensive, responsible, sweeping program.

Senator HEINZ. That is fine with me. [General laughter.]

The CHAIRMAN. So we will all work on that.

We are now very honored to have the distinguished Governor of West Virginia, Mr. Rockefeller, with us. We will be pleased to hear your testimony, unless you wish to be heard with Senator Byrd. Why don't you just go ahead and proceed individually?

STATEMENT OF HON. JOHN D. ROCKEFELLER IV, GOVERNOR, STATE OF WEST VIRGINIA, ACCOMPANIED BY JACK CANFIELD, COMMISSIONER, WEST VIRGINIA DEPARTMENT OF EMPLOYMENT SECURITY

Governor ROCKEFELLER. Thank you, Mr. Chairman. I appreciate that.

I just have a very brief summary, which I will submit as my own testimony as Governor of West Virginia. Also, I will be submitting a statement for the record on behalf of the National Governors Association.

I have with me on my left, Mr. Chairman, Jack Canfield, who is commissioner of employment security for the State of West Virginia, and by definition therefore a very active gentleman. He is also president-elect of the Interstate Conference of Employment Security Agencies.

I do not come to talk against any program, but specifically to talk for one from a State's point of view, Mr. Chairman. Obviously, we want to see the Federal supplemental program extended beyond the 30th. I think nobody would disagree with that.

I come from a State, as Senator Heinz indicated, that has had very significant unemployment for quite a while now, and we are in fact over 17 percent still as measured by the Bureau of Labor Statistics. As we measure it ourselves, it is over 14. Either is intolerable. So we are intimately familiar with this whole problem, and the safety net factor that stands between people who are accustomed to working, have been working all their lives, are laid off for one or another reasons, and then what stands between them and the welfare program.

We have had an extraordinary expenditure of money on unemployment benefits in West Virginia, unprecedented in our history, in the last number of months. We deal with that as best we can, but we find that in the administration of this program, from our State's point of view, we feel, as do Senator Byrd and Senator Heinz, that there is a need for this so-called comprehensive review

of how extended benefits and Federal supplemental benefits are handled.

States virtually are left to reinvent the wheel each time a Federal extension is passed by the Congress.

In almost every case, in fact, when there is an extension under the present system, there is not just an extension, but changes that come with that. And if you go through the "weeks" factor, they change all the time. Jack Canfield has an enormous job just in kind of adjusting to the program. He has many people who are now working in his offices. They have to be retrained. Computers have to be reprogramed. All of this because of the way of extending benefits but not working them into a comprehensive and permanent system.

So, I specifically endorse the concepts contained in Senator Byrd and Senator Heinz's bill. I specifically do so because it is a permanent program. It becomes a permanent program tied to a State's unemployment rate. Therefore, it is State specific, which is tremendously important in terms of long-term cost consequences and also equity.

It does have States triggering on and off extended programs automatically, without the need for congressional action. Every time we come to this situation, here we are, 2 weeks before the expiration date, trying to decide, and this would eliminate any kind of need for that.

I think in all fairness those who pay the costs and those who operate the programs should, as Senator Byrd has pointed out, be able to know in advance what it is they are going to have to do, what they are going to have to pay, how they are going to obtain help, how much it is going to cost, the whole function, so that it does not change, so that it is predictable. Predictability is important. This program could be made predictable.

To me, the legislation contemplated by Senator Byrd and Senator Heinz would eliminate having to deal with new procedures all the time, as we do. As to funding, mechanisms suggested for extended benefits take into account that when there is a national recession, there is a national problem. It deals with that very specifically. The Federal Government should assume, it says, a larger share of the cost, it being a national problem. To ignore this situation will result, in our judgment, in ever increasing employer taxes with the greatest increases falling on the States that have the highest unemployment rates.

Several States like my own find the problem more difficult in light of new interest rate provisions that have recently come into effect. Now, in our case, we borrowed about $250 million that we will have to repay, and $9.5 million of interest on that. Any thing that has to be repaid obviously is very substantial. It makes for a greater burden.

All of us, I am sure, want those who are entitled to benefits to receive them, but the program which pays those benefits is just one of the most complicated ever devised, as Senator Specter said, almost impossible to comprehend, almost impossible to administer with changes. On the FSC program, it is paid 6, 8, or 10 weeks of benefits: then switches to 8, 10, 12, 14, to 16 weeks; and then 8, 10, 12, or 14 weeks—unless there is another qualification which would

send it toward 6, 8, or 10 weeks. It is impossible to understand, very difficult to administer.

Senator Byrd's and Senator Heinz' bill eliminates a great deal of this uncertainty. It makes a permanent tiered structure for determining weeks of benefits. It gives States that flexibility for work search requirements. Senator Byrd, we are going to have millions of paper of transactions this year, simply by this extraordinary thing of filing work search papers every 2 weeks, where in some counties there is no possibility that check-in every 2 weeks can resolve anything other than the predictable result, that is, no work possible. That is clear.

Your bill and Senator Heinz' provides more flexibility in terms of that, and also the whole interstate problem, that is which State is to pay where a worker was laid off in one State and went to another.

So, we do not try to give recommendations on various tiers or specific unemployment rate provisions. I recognize there are different views on that, but the concept, Mr. Chairman, of a permanent program eliminates the necessity for these kinds of things. It seems to me this program has been very good for short-term unemployment, but we are now dealing with long-term unemployment. This program washes out all of those problems. It puts it in concrete, intelligently, and we think it is very fair and very good.

As Governor of West Virginia, I heartily support it.

[The prepared statement of Governor Rockefeller follows:]

SUMMARY

GOVERNOR JAY ROCKEFELLER, WEST VIRGINIA

FSC Extension

The State of West Virginia supports extension of the federal supplemental compensation program beyond its September 30, 1983 date of expiration.

S. 1784

We support the concept contained in S. 1784 of a permanent extended benefits program. It has long been recognized that a review of the program which provides extended benefits and federal supplemental compensation is overdue. The creation of such a program was one of the recommendations of the National Commission on Unemployment Compensation in its July, 1980 report.

Effects of present system

For those in states which have to adapt their compensation systems to continual change several times a year, the present system is a "convoluted process," indeed. It involves complicated, ever-changing triggers; new qualifications; new regulations; the re-training of staffs; new computer programs and the costs associated with all of these.

EXTENDED BENEFITS

Surely, we cannot believe we now have in place the best possible program for dealing with the human costs of unemployment when only three states are paying extended benefits and all 50 states are paying FSC.

OTHER FEATURES

We endorse the funding mechanism through which the federal government acquires a larger share of the benefit costs during recessions, the General Revenue payment provision, flexible work search benefits, a tiered approach to unemployment levels in each state and changes in the interstate claims process envisioned in S. 1784.

STATEMENT OF WEST VIRGINIA GOVERNOR JAY ROCKEFELLER
BEFORE THE U. S. SENATE FINANCE COMMITTEE
CONCERNING FEDERAL SUPPLEMENTAL COMPENSATION PROGRAMS

September 16, 1983

Mr. Chairman, members of the Committee:

My name is Jay Rockefeller, and I am Governor of the State of West Virginia.

I appear today, first and foremost, in support of extending the federal unemployment compensation program.

Unemployment remains a serious, stubborn problem in this country. We have a long way to go before we work our way out of this recession.

Unemployment is a particularly tragic problem in my state of West Virginia, which -- because of layoffs in steel, aluminum, coal, glass and construction -- continues to suffer the distinction of having the highest unemployment rate in the nation, according to the Bureau of Labor Statistics.

As of today, West Virginia's unemployment rate, as calculated by BLS, is 17.4%. Our own state calculation, using a different methodology, is a rate of 14.3%. In either case, the rate is too high, and for many, unemployment compensation is the only safety net between being laid off and going on welfare.

We're not talking about the stereotyped, hard-core unemployed. We're talking about men and women who have worked for years at their jobs, and who are finding themselves, many for the first time, without employment.

This Congress has acted responsibly on several occasions over the past two years in enacting federal supplemental compensation programs. Those benefits have helped keep the food on the table, made the mortgage payments and kept clothes on the backs of children. We in West Virginia strongly urge you to extend the program beyond its scheduled termination date of September 30th.

More specifically, however, I appear before you in support of the proposal introduced by Senator Byrd of West Virginia and Senator Heinz of Pennsylvania, and co-sponsored by several of your colleagues.

It has long been recognized that a review of the program which provides extended benefits (EB) and federal supplemental compensation (FSC) is overdue. In fact, the creation of the type of permanent program envisioned by the Byrd-Heinz bill was one of the recommendations of the National Commission on Unemployment Compensation in its July, 1980 report to The President and the Congress.

Senator Byrd has characterized the current program of extended unemployment benefits as "a convoluted process." For those in states which have to adapt their compensation systems to continual change several times a year, it is a convoluted process, indeed. It involves complicated, ever-changing triggers; new qualifications; new regulations; the re-training of staffs; new computer programs and the costs associated with all of these.

And in almost every case, Congress not only merely extended the program, but changed it as well. At a time in which state agencies are stretched to the limit by unprecedented workloads, we ought to be able to do better.

Employment Security agencies all across the country are doing a good job. But it's not because we've made it easy for them. In West Virginia alone, we handled over one million claims in the last quarter of 1982. In the same quarter of the previous year, we handled only 426,000. So you can see that the recession has caused our workload to double.

The problem is exacerbated by the fact that the U. S. Department of Labor has left us with too few trained, full-time employees and too many part-time, short-term employees to administer this most difficult of all federal/state programs.

As you might imagine, West Virginia is intimately familiar with unemployment compensation. In the first eight months of this year alone, unemployed West Virginians received an average of $39.4 million a month in benefits from all unemployment compensation programs. That compares to an average of only $8.4 million a month just four short years ago. While it is advantageous to have this money being pumped into the economy, it also has an effect on the tax rates of employers and upon the state's necessity to borrow from the federal government in order to pay benefits.

Like approximately 30 other states, West Virginia now has to borrow in order to pay benefits. As of this week, we owe the federal government over $250 million, and that does not include a $9.5 million interest bill. Since the states must pay their interest payments from their already-strapped General Revenue Funds, the impact of the national recession can be seen in terms of dollars as well as in human terms.

The attractiveness of the proposal offered by Senator Byrd is the concept of putting into place a permanent program, tied to a state's unemployment rate, with states triggering on-and-off of extended programs automatically, via a permanent formula, without the need for congressional action every time there is a jump in the unemployment rate.

As Senator Byrd said in his remarks to the Senate, those who pay the costs and those who operate the program should be able to know in advance what help is available, how to obtain it, how much it costs, and how to operate the program providing this help.

Surely, we cannot believe we now have in place the best possible program for dealing with the human costs of unemployment when only three states are paying extended benefits and all 50 states are paying FSC.

Surely, we cannot say to our people that we have the best possible program when claimants, already confused by a highly-complicated program, find their entitlements changing several times during the course of their respective eligibility periods.

Surely, something needs to be done.

The funding mechanism contained in this bill also is attractive, in that the federal government, during periods of national recession, assumes a larger financial responsibility for paying these additional benefits. The merging of EB and FSC into one permanent program with financial responsibilities being tied to each state's unemployment rate seems a logical way to address the problem. To continue the program "as is" will mean continued confusion on the part of claimants, additional stress on the part of already-overworked state personnel, and increased financial outlays by states whose trust funds are already in dire straits.

Mr. Chairman, the concept of a permanent program has my support.

I recognize that there may yet be considerable discusson as to the various tiers, or "thresholds" of entitlement for extra weeks of benefits. This, we leave to the wisdom of Congress to resolve. However, I cannot stress too strongly the need for a sense of permanence in all of these programs, and S. 1784 seems to deal with this most admirably.

Some other features of the bill also would be a definite improvement over the present system. For instance:

° There would be a clear-cut procedure for determining benefit entitlements on a quarterly basis.

° The interstate claims process, currently termed a "nightmare" by the Interstate Conference of Employment Security Agencies, would be simplified by tying a claimant's benefit rules to the state in which the claimant earned his or her wages.

° There would be more flexible work search provisions permitted in the states, something I have long advocated, based upon the economic realities in a specific geographic area.

° There would be an end to the massive confusion that results from constant changes in the FSC program, which, during its existence, has paid 6, 8 or 10 weeks of benefits ...and then 8, 10, 12, 14 or 16 weeks...and then 8, 10, 12 or 14 weeks -- unless one qualified under another provision for 6, 8 or 10 weeks. The number of weeks changes so often the program at times seems virtually inoperable.

° The proposal that federal supplemental compensation benefits be paid from federal general revenue also is a much-needed revision, and was one of the recommendations of the National Commission on Unemployment Compensation.

Mr. Chairman, I recognize that the Congress will have to address the costs to the federal government associated with this problem, and that states may have differing views on the levels of unemployment which would trigger extended benefits.

But we must not lose sight of the fact that the concept of a permanent program is sound, that revision is long past due, and we are at a point where the cost of the program needs to be balanced against the needs of the unemployed of this country.

Mr. Chairman, I also have the privilege of offering for the record a written statement by the National Governors Association on this same issue at this time.

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National Governors' Association

James R. Thompson
Governor of Illinois
Chairman

Raymond C. Scheppach
Executive Director

STATEMENT OF

THE NATIONAL GOVERNORS' ASSOCIATION

Mr. Chairman, Members of the Subcommittee, the National Governors' Association is aware that a number of legislative proposals designed to change the unemployment insurance program are currently before the Subcommittee for its consideration. The Governors have consistently supported the unemployment compensation system as this nation's first line of defense against economic downturn and accept their responsibility for working with state legislatures, the Congress, and the Administration to assure program adequacy.

The Governors believe a comprehensive review of the fundamental concepts that underlie the unemployment insurance system is long overdue; there is a need to explore both short and long-term modifications to the system. Such comprehensive reforms must be formulated, in concert, by federal and state policymakers. In the interim, however, the Governors have an immediate concern. In light of continuing high unemployment as this nation emerges from the recessions of the last several years, the Governors believe that further assistance must be available to jobless workers and their families. We would therefore urge an extension of the current Federal Supplemental Compensation program beyond September 30, 1983.

We are pleased that, once again, legislation in an area as critical as unemployment insurance will be the focus of congressional attention. While the National Governors' Association is not prepared at this time to offer specific legislative proposals in response, we are prepared to discuss in detail some of our concerns for both the short and long term. In this context, we would like to begin by offering some specific remarks on an

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unemployment insurance issue where the Governors perceive a short-term and immediate need. We wish to follow by outlining some generic principles which we feel are critical for longer-term consideration of benefit structure and financing reform under the unemployment insurance system.

SHORT-TERM PROBLEM

The severity and duration of the two recessions experienced by this nation over the last three years have caused record high levels of unemployment. The strain of so many unemployed persons and the length of their unemployment tested the financial capacity of state governments to meet their obligations to those in need. This in turn caused the states to seek assistance from the federal government. Congress responded with the passage of the Tax Equity and Fiscal Responsibility Act of 1982. This Act authorized a program of Federal Supplemental Compensation (FSC) designed to provide further assistance to the long-term unemployed. The program of supplemental benefits has since been modified and extended by the Surface Transportation Assistance Act of 1982 and the Social Security Amendments of 1983. Authorization for the Federal Supplemental Compensation program expires on September 30, 1983.

In recent days, the nation has heard the Administration, some members of Congress, and a number of leading economists state cautiously that economic recovery is now underway. However, historical data reveal that unemployment levels tend to drop slowly after recessions, lagging behind other indicators of economic recovery. Economic recovery will be slow in coming to a number of states, especially to those states which comprise

our nation's industrial heartland and which have been hardest hit by the recession. The national unemployment rate in August still stood at 9.5 percent, unchanged from the July rate. The prognosis for recovery, then, is slow and the need for continued assistance is still great.

The nation's Governors recently assembled in Portland, Maine, for their annual meeting. The perceived need by all Governors for further assistance for unemployed workers resulted in a unanimous action to amend existing policy as follows:

> "The National Governors' Association urges the Congress to act promptly to extend the Federal Supplemental Compensation program beyond September 30, 1983."

The Governors recognize that the FSC program is, perhaps unnecessarily, too complex to understand and too complicated to administer. These problems notwithstanding, the Governors believe there is still an urgent need for supplemental benefits and, in the short term, we support an immediate extension of the current FSC program. The Governors continue to believe that the benefit and administrative costs associated with Federal Supplemental Compensation should be financed through federal general revenues; the long-term unemployment which FSC was designed to address has been caused by macroeconomic factors beyond the control of any state and, as such, costs should not be borne by the taxpayers of any single state.

LONG-RUN CHANGES

During the recession from which we now appear to be emerging, our national unemployment insurance system was severely strained. While needed relief to millions of jobless workers was provided through the system during this period, the experience has brought to the fore a number of problems in the system. For example, as a result of the recession, states experienced an unanticipated and massive increase in the volume and duration of claims activity. This caused considerable pressure on state unemployment insurance trust fund reserves and yielded staggering deficits in many states.

Moreover, at several points during this period of economic decline, only a handful of states, some with unemployment rates as high as 15 percent, qualified for the Extended Benefit program. Indeed, only two states, West Virginia and Louisiana, and the Commonwealth of Puerto Rico, are currently eligible for this program based on their rate of insured unemployment.

Furthermore, Congress was not able to establish a supplemental benefit program during the past recession until national unemployment reached 10 percent. This caused great hardship to workers who lost their jobs early in the recession and who exhausted basic and extended benefits before supplemental benefits became available.

Finally, the various extensions and modifications to supplemental benefits programs have proved a nightmare to individuals charged with

the responsibility to administer these programs. These changes also have caused much confusion and frustration in the minds of jobless workers who need to avail themselves of such assistance.

Along with this revelation of weaknesses in the existing Unemployment Insurance Program is an emerging recognition that this nation is confronting significant shifts in its technology and economic base. The current restructuring from a manufacturing-based to a service-based economy, coupled with the constant alteration of complex technology, portends many changes in the skill requirements needed by our workforce and the displacement of significant numbers of workers from jobs in core industries.

Taken together, the problems in the existing unemployment insurance programs and the projected need for assistance to deal with future economic dislocations point, we believe, to a need to rethink the structure and financing of benefits under the unemployment insurance system beyond the state-run basic programs. In the absence of a rational, permanent and simpler program of extended compensation, an extension of FSC now is well-justified. However, the historical pattern of temporary and expedient efforts to solve the serious problems of extended unemployment must soon come to an end. A comprehensive approach to long-term unemployment assistance cannot, however, be hastily drawn. Instead, it must evolve from a conscientious dialogue between the federal and state partners with each given adequate time to address the full administrative and financial implications of any proposals.

The National Governors' Association does not wish at this time to advocate any specific proposal. We would, however, like to suggest to the Subcommittee some fundamental concepts and underlying principles which we believe essential to longer-term efforts to reform the structure and financing of benefits under the unemployment insurance system:

- A new, permanent, comprehensive extended unemployment insurance benefit program should be established, which will remain a federal-state partnership but will require that in periods of high unemployment, the federal partner will contribute the greater amount. As unemployment within a state reaches levels beyond which that state's employers can be expected to cover the entire costs of extended benefits, the federal partner should finance a share of the extended benefits partially through FUTA revenues and partially through federal general revenues. At a still higher level of unemployment, the federal partner should finance the entire costs of extended benefits through federal general revenues.

- There must be a close tie between this program and training and work programs that are designed to assist long-term unemployed persons in returning to the productive workforce. Careful consideration must be given to any incentives/disincentives included in such a program.

- States must be given as much flexibility as possible in the administration of such a program. For example, work search requirements must be tailored to meet local labor market conditions.

- States must have sufficient lead time to adjust their own laws, budgets and administrative procedures to major changes in federal funding or policy.

In conclusion, on behalf of the nation's Governors, the National Governors' Association would ask in the short term that the Subcommittee and the Congress move forward to extend the current Federal Supplemental Compensation program. For the longer term, all who have witnessed the way the extended benefit program functioned in the past recession must agree that a comprehensive review is needed. The Governors welcome congressional initiative to re-examine some critical aspects of the unemployment insurance system. We would urge, however, that a "reform proposal" not be hastily drawn, that there be sufficient hearing of pertinent issues, and that the examination include questions such as the following:

- Is the current use of insured unemployment the most appropriate measure for determining a state's need for additional benefits under the unemployment insurance system?

- Do states trigger on and off extended benefit programs due to seasonal factors? Should trigger rates be

seasonally adjusted? Would seasonal adjustment mean that extended benefits would be paid at the time it is most needed?

- The time period for computing the trigger rate is currently 13 weeks. Is the 13-week moving average too long or too short a period to use?

- After several weeks of high unemployment, a state may still have difficulty meeting the required 20 percent factor. At the same time, in some states with relatively lower unemployment, the rate may double but still be too low to trigger on.

The Governors wish to emphasize that while we are not prepared to endorse any specific legislative proposal that recommends major modifications to extended benefits provisions at this time, this should not be interpreted as a lack of commitment for, or lack of interest in, such changes. Rather, it is simply a reflection of insufficient time to assess states' views of the implications of the changes which have been recommended. We do believe that some of the proposals currently before the Subcommittee merit further consideration, and we are now exploring forums within the National Governors' Association to accomplish the careful review of unemployment insurance program and policy issues. The Governors remain committed to working with appropriate congressional committees and members on legislation that will address the needs of the unemployed and simultaneously take into account the financial capacity of the states to deal with the problems of high unemployment.

Please be assured that unemployment insurance is an issue of overriding concern to the Governors and we will continue to apprise the Congress of our thinking in this critical policy area. We trust the Congress will provide other opportunities for the re-examination of the unemployment insurance system, perhaps with the next expiration of the Federal Supplemental Compensation program.

The CHAIRMAN. Thank you very much.

Senator Byrd, do you have any questions, or do you want to make your statement now?

Senator BYRD. Mr. Chairman, first, let me thank you for allowing me to sit in this exalted chair in this exalted position. That is characteristic of your courtesy.

I want to thank my Governor for appearing before the committee today in support of the bill which Senator Heinz and I have introduced. I think it is very important that the committee weigh very carefully the testimony that our Governor has given, because he sees this whole problem through a perspective that is somewhat different from the way that we as Senators may view it. He is down to the nitty gritty. He is at the grassroots level. He sees how it works. He sees what the faults are.

I personally feel that his testimony has not only been delivered eloquently and effectively, but it is a major factor to be weighed, I would hope, by the committee in its decisions. I have no questions.

The CHAIRMAN. Thank you, Senator Byrd.

Governor Rockefeller, have you made any changes in West Virginia in the State level of your program in the past 2 or 3 years?

Governor ROCKEFELLER. We have had to change, Mr. Chairman, our triggering mechanism to go with the extended benefits program. The triggering mechanisms between Ohio, Pennsylvania, and West Virginia, were different, so we had to make that change, which we did. And we have also done a tax adjustment program.

The CHAIRMAN. And increased taxes for the State UI trust fund?

Governor ROCKEFELLER. Yes.

The CHAIRMAN. Did your change the benefit levels?

Governor ROCKEFELLER. No; we have not. The main change that we have made has been that we have eliminated from this program those who had been working and voluntarily quit their jobs. Before our law had included those. Now it does not. It was seen generally by the business community in our State as a welcome development, although the higher payment to the trust fund was not welcome. So, I think they understood that.

The CHAIRMAN. I share the view expressed by Senator Byrd. I really believe the Governors can be very helpful. Our problem is, of course, where do we find the money to meet all of the needs? And there are some needs, no dobut about it, in every State, whatever the unemployment rate is. There are some in every State who are in difficulty. I am sure the Governor would be willing to help us pinpoint the areas where we can make some adjustments to compensate for expanding the program in other areas, or from doing some of the things that Senator Heinz and Senator Byrd suggest in their program.

Our problem seems to be, how much is enough? Is $3.3 billion enough? If not, how much more? And can we offset that in some way other than just through taxes or adding it to the deficit, because at the same time the Governors support extension of the FSC program, they issued a press release condemning the Federal deficits.

Governor ROCKEFELLER. I recognize that problem, Senator. Any extension is going to be of cost in any form.

The CHAIRMAN. Well, I think experts like the man you have with you in every State could perhaps help us find a few dollars in places where there are some, well, I will not say loopholes, but provisions that could be tightened up a bit. That way money could go to the truly needy people out there who cannot find a job, and who have been out of work a long time in States like yours. So we will be calling, if it is satisfactory with you, on your experts and other experts.

Senator Heinz, do you have any questions?

Senator HEINZ. Thank you very much, Mr. Chairman.

I want to commend Governor Rockefeller for coming down here. His State and my State, the neighboring State of Pennsylvania, share much in common.

Governor, we are, at least you are at this point fortunate to this extent. Although you are deeply troubled by unemployment, your State has not yet triggered off of extended benefits, yet due to the peculiar nature of the calculation used in the insured unemployment rate, you may soon join Pennsylvania and the other States, some 14 of them, with unemployment rates over 10 percent, that no longer can pay extended benefits. They have triggered off.

Given the reality of that triggering off for the States, a Federal supplemental benefit program is at least a stopgap, and can step into the gap created by the triggering off of those extended benefits. The administration's bill to a certain extent steps into that gap. I made my comments on it earlier.

My question to you is, do you favor legislation such as the administration has sent down with respect to the term of that legislation, namely, the 18 months? Would you rather see a long-term program to give us the time to deal with the Byrd-Heinz kind of reforms, or would you rather see a shorter program?

Governor ROCKEFELLER. Given the choice of something happening or nothing happening, the 18 months is extremely important and extremely helpful.

Senator HEINZ. Does the consistency of having one program over an 18-month period make it easier for States such as yours to administer the program?

Governor ROCKEFELLER. Given the kind of program that you and Senator Byrd have suggested, which is not really all that complex, I think that we can do even better. For example, there are very specific measures in that bill which reflect when a State will or will not get benefits, and it is fair. It talks about your insured unemployment rate, and then measures that in certain categories. It looks at your total unemployment, and it measures what you are going to get according to—it is a specific State situation. It is State specific, in other words, and if it were permanent, it would be totally predictable and, I think, fair as to States' unemployment situations.

Senator HEINZ. It may take us some time to reach agreement on some of the details of Senator Byrd's and my legislation. For example, I am told the National Governors' Association wants to look at it and wants to testify, but neither Senator Byrd nor I can tell you with specificity what all of the suggestions will be and to what extent they will or will not pose problems.

I suppose the question that we have to decide between now and September 30 is, On an extension of an existing FSC program, should we make that a medium-term or short-term extension. Should it be for a few months, or should it be, as the administration has proposed, about a year and a half?

Governor ROCKEFELLER. Senator, far be it from me to make that counsel. I come as a Governor, seeing in Senator Byrd's bill and your bill a particular eloquence of administration and specificity of administration, which I think over the long term will keep us away from these kinds of hearings on a reasonably regular basis. Obviously, consideration of that bill is going to be drawn now beyond September 30, we need to see legislation enacted which carries us forward, because people need those funds. So obviously we cannot have a vacuum while the Byrd-Heinz bill is being considered, perhaps along with others.

So, obviously, I do favor extension.

Senator HEINZ. I understand that. I suppose a better way for me to have asked the question is this. If you make the assumption—we cannot make it with any certainty—that the past is prolog, and that before we get around to enacting the Heinz-Byrd—excuse me, the Byrd-Heinz bill, although in the Finance Committee it is sometimes helpful to have the Republican as the lead sponsor——

The CHAIRMAN. Not in this case. It is equally advantageous, I should say. [General laughter.]

Senator HEINZ. Senator Dole is a very good politician. [General laughter.]

Senator BYRD. Would the Senator yield?

Senator HEINZ. The Senator has no choice. [General laughter.]

Senator BYRD. Senator Dole is a politician sui generis. [General laughter.]

Senator HEINZ. In any event, it is not impossible that between now and January 1, 1985, that we could extend the FSB program two or three times. That would not be your or my preference, I would assume, but every time we change the number of weeks, every time there is a hiatus—every time we change the period during which there is a reachback, if indeed there is a reachback, does that complicate with any particular difficulty the job of a State in administering the unemployment compensation program?

Governor ROCKEFELLER. Senator, in the event that the Byrd-Heinz bill or some version close to that is not accepted, or if it takes time to accept it, the one thing we cannot accept in West Virginia and, I would judge, in your State, and others, is a hiatus. Therefore, the longer a period of benefits is extended, the happier we will be.

On the other hand, it also concerns me that if that is extended somehow with the idea that this is what we are going to do now, and we have done it, and therefore the pressure for making permanent and making state specific a program such as you suggested disappears, and I would be concerned. Obviously, the longer the benefits are extended, the better. We are going to need them.

Senator HEINZ. I thank my friend from West Virginia. May I just say, it is good to see you down here. I understand there is some possibility that you entertain the notion of being here more permanently.

Governor ROCKEFELLER. Pure speculation, Senator.

The CHAIRMAN. Thank you very much, Governor. Again, we are pleased to have you here. We will be working with the National Governors Association in this area and in health care for the unemployed and other problems that we are hopefully facing up to on the Senate side. We will be looking to NGA for assistance.

Governor ROCKEFELLER. Thank you, Mr. Chairman. Thank you, Senator Byrd. Thank you, Senator Heinz.

The CHAIRMAN. I would put into the record at this point a statement by Senator Boschwitz, who had planned to be here, but who could not attend. I would like his statement to be made a part of the record.

[The prepared statement of Senator Boschwitz follows:]

STATEMENT BY SENATOR RUDY BOSCHWITZ
BEFORE THE SENATE FINANCE COMMITTEE
ON THE FEDERAL SUPPLEMENTAL COMPENSATION PROGRAM
SEPTEMBER 16, 1983

MR. CHAIRMAN, I APPRECIATE VERY MUCH THIS OPPORTUNITY TO GIVE MY THOUGHTS ON THE FEDERAL SUPPLEMENTAL COMPENSATION PROGRAM. THE FSC PROGRAM, AS YOU KNOW, WAS ENACTED IN 1982 IN ORDER TO PROVIDE UNEMPLOYMENT BENEFITS FOR THOSE WHOSE REGULAR UNEMPLOYMENT BENEFITS HAD EXPIRED. CONGRESS RECOGNIZED THEN THE LENGTH AND BREADTH OF THE RECESSION AND THE SEVERITY OF THE UNEMPLOYMENT PROBLEM DESERVED SPECIAL ATTENTION. THIS IS WHY THE FSC PROGRAM WAS BEGUN.

SINCE THEN, I AND MANY OF MY COLLEAGUES ON THIS COMMITTEE, HAVE SPONSORED LEGISLATION TO CONTINUE IT. WE HAVE BEEN SUCCESSFUL TWICE IN EXTENDING IT, ONE IN DECEMBER 1982 AND THEN AGAIN IN MARCH 1983. AS IT NOW STAND, THE FSC PROGRAM WILL EXPIRE AT THE END OF THIS MONTH.

SO, ONCE AGAIN, WE MUST DECIDE WHETHER TO EXTEND THE PROGRAM, AND IF WE DO, THEN FOR HOW LONG. I BELIEVE WE SHOULD EXTEND IT -- ESPECIALLY WHEN YOU CONSIDER THAT THE EXTENDED BENEFIT PROGRAM HAS BEEN SO INEFFECTUAL. THEREFORE, I AM VERY PLEASED TO SEE THE ADMINISTRATION SHARES MY VIEWS AND HAS AGREED TO SUPPORT AN 18 MONTH EXTENSION.

MY COLLEAGUES FROM PENNSYLVANIA AND WEST VIRGINIA, SENATORS HEINZ AND BRYD, HAVE DONE EXCELLENT WORK IN PUTTING TOGETHER A REVISED UNEMPLOYMENT COMPENSATION PROGRAM -- A SYSTEM THAT SEEMS TO ME WILL BE MORE EFFECTIVE THAN THE CURRENT EB PROGRAM. HOWEVER, UNTIL THIS COMMITTEE AND OTHERS HAVE AN OPPORTUNITY TO STUDY IT MORE CLOSELY, WE NEED SOMETHING TO FILL THE GAP.

THIS IS WHY THE CONTINUATION OF FSC IS SO IMPORTANT. FSC HAS ASSISTED OVER 41,000 MINNESOTANS IN THE PAST YEAR ALONE AND WITHOUT AN EXTENSION, THOUSANDS OF MINNESOTAN'S WHO ARE UNEMPLOYED WILL FACE FALLING OFF THE UNEMPLOYMENT COMPENSATION ROLLS.

THE ECONOMY IS CLEARLY IN THE MIDST OF A RECOVERY. UNEMPLOYMENT IS DROPPING. IN FACT, THE UNEMPLOYMENT RATE IN MINNESOTA HAS FALLEN ALMOST 3 FULL PERCENTAGE POINTS IN THE LAST 9 MONTHS. ALSO, OPTIMISM ABOUT NEXT YEAR AND EMPLOYMENT OPPORTUNITIES IS INCREASING. ALL IN ALL, MINNESOTANS ARE NOT ONLY BELIEVING THE RECOVERY IS UNDERWAY, BUT THEY ARE ACTUALLY SEEING IT AS WELL.

HOWEVER, BECAUSE UNEMPLOYMENT IS A LAG INDICATOR, THERE ARE STILL MANY PEOPLE -- LIKE THOSE ON MINNESOTA'S IRON RANGE -- THAT ARE NOT ABLE TO FIND WORK. AND UNFORTUNATELY FOR THOSE ON THE RANGE, UNTIL THE STEEL INDUSTRY PICKS UP, THIS PROBLEM WILL PERSIST. IT IS PEOPLE IN THIS POSITION THAT NEED FSC -- AND THIS IS WHY I SUPPORT AN EXTENSION OF THE PROGRAM.

I WOULD LIKE TO AGAIN THANK MY COLLEAGUES AND THE DISTINGUISHED CHAIRMAN FOR THIS CHANCE TO PRESENT MY THOUGHTS. I HOPE WE CAN CONTINUE TO WORK HERE IN THE SENATE ON IMPROVING THE UNEMPLOYMENT COMPENSATION PROGRAMS.

The CHAIRMAN. We will now hear from the Honorable Robert C. Byrd and another distinguished colleague, Senator Levin.

STATEMENT OF HON. ROBERT C. BYRD, A U.S. SENATOR FROM THE STATE OF WEST VIRGINIA

Senator BYRD. Mr. Chairman and distinguished members of the committee, let me begin by expressing my appreciation for the opportunity to testify before you today. I want to say at the beginning that you are to be commended for proceeding with the hearings on this legislation on a day when the Senate is not in session.

The work this committee does in the next week to 10 days will be critical to determining the future course of unemployment insurance in this Nation. The economic indicators signal that we have begun to climb out of the depths of the recession, and as the long awaited recovery materializes, I think we must not forget that recovery will be a very long time coming to many millions of Americans who have lost their jobs and in many cases their possessions and homes as well during the past 2 years.

The CHAIRMAN. We have a pointer here, Senator, if you want to use it with that chart.

Senator BYRD. Thank you.

Unemployment still is at a terribly high level on a nationwide basis. The national unemployment rate in August, the latest month for which the Department of Labor has announced figures, was 9.5 percent. The picture is even bleaker in some of the States that have been hardest hit by the recession. In June, the last month for which the U.S. Labor Department has compiled comprehensive figures, my State of West Virginia had a 17.5-percent unemployment rate, and it is now 17.4; 27 States and the District of Columbia had rates in June 9 percent or higher.

Senator Heinz just a moment ago indicated that a number of States, a specific number of States, I believe, had unemployment rates 10 percent or higher. It is also important to know that those who have been laid off in this recession are remaining unemployed longer than in previous recessions. It is all too clear that these unemployed workers and their families are the hapless victims of our Nation's economic illness.

The word "tragedy" is not too strong a term to apply in those situations. As I have noted, unemployment insurance usually is available as a partial cushion. However, the unemployment insurance system currently is not functioning to provide the degree of cushioning that I believe the Congress intended. This is true primarily with respect to programs of additional benefits beyond those available through the basic unemployment insurance programs operated by the States.

The system simply was overcome by the severity of the recession and the magnitude of unemployment we have experienced and continue to experience, and by flaws that this severe testing of the system has revealed starkly.

Presently, although 28 of the 53 States and other jurisdictions have unemployment rates of 9 percent or greater, and the national unemployment rate is 9.5 percent, very severe unemployment by historical standards, only 2 States and Puerto Rico are eligible

for extended benefits, those 2 States being West Virginia, as you have already been told, and Louisiana.

This unacceptable situation is primarily the result of the use of the insured unemployment rate, the IUR, as the sole State determinant for eligibility for the extended benefits program. In 1981, the Congress made two changes in the use of the IUR. The first change increased the level of the IUR a State must have to qualify. The second change omits from the computation of the IUR any person receiving benefits beyond regular State benefits.

Even had those changes not been made, however, use of the IUR as the sole State eligibility determinant for the extended benefits program was badly flawed. States that are hardest hit by unemployment, particularly where the average duration of unemployment is highest, are substantially disadvantaged, because a greater proportion of their unemployed populations are not counted in the IUR.

This distorting effect generally is greatest as a State's unemployment rate peaks, and begins to fall, but still remains very high, as is currently the case in many States.

In addition to this unacceptable situation with the extended benefits program, we are facing another crisis in the supplemental compensation program. This tier expires again on September 30. It is absolutely unthinkable that Congress will fail to continue providing a number of weeks of benefits at least equal to the number now available, counting the weeks of supplemental compensation, and yet we must go through the motions to be sure that the program is reauthorized again and avoid an interruption that could be devastating for the unemployed and their families who are dependent on these benefits, while they still cannot find work.

There is yet a third major problem with the portions of the unemployment insurance system that are superimposed on top of the basic State UI programs. This problem was referred to by the Governor, namely, the confusion, distress, and cynicism that result from one of the most complicated programs operated at any level of government in this Nation—that result from a program that is supposed to help those who have fallen upon hard times but instead often stymies and boggles the mind.

The extended benefits and supplemental compensation programs are crying out for repair. The basic idea of such additional benefits is sound. It is in fact essential, but these programs must be reformed so that they actually will provide the protection they were intended to provide. They must be reformed so they will be dependable, and they must be reformed so that those who need benefits beyond those provided in basic State programs, those who pay the costs, and those who operate the programs can understand what help is available, how to obtain it, how much it costs, and how to operate the programs in order to provide it efficiently.

These are not minor repairs. They cannot be accomplished by tinkering with the programs. It is my belief that the time has come for a real overhaul of the system beyond the basic benefit programs at the State level. It seems to me very clear that now, when major revisions in the extended benefits program are required, and when the supplemental compensation program will expire in 2 weeks, now is the time to make sense out of this confusion by combining

these two programs so that they no longer exacerbate each other's flaws.

There are a number of changes that need to be made. I wish to highlight the most important. First, rather than having two programs that operate according to inexplicably conflicting State eligibility standards and result in incomprehensible durations of benefits, there should be only one program providing benefits beyond those available through the basic programs operated by the States.

Second, rather than having, as in the current extended benefits program, State eligibility requirements that dictate a State is eligible for "all or nothing" of the current 13-week benefit period, the program should be structured, as the supplemental compensation program now is structured, so that States with the highest levels of unemployment are eligible for the greatest number of weeks of benefits, and those benefits stage down as unemployment rates become lower.

Third, the use of the insured unemployment rate as the sole determinant of eligibility no longer is realistic. It is well known that the total unemployment rate compiled each month by the Bureau of Labor Statistics is based on a national sample, and that the probability of significant error is high with respect to States with smaller populations. Admittedly, its use is not ideal, but surely it is apparent that use of the IUR also is far, far from ideal.

As a practical matter, we should not tolerate a methodology that causes a State with 15 percent unemployment to receive only a very few weeks of benefits beyond those in the basic program. So although efforts should be redoubled to find a better mousetrap, in the meantime, we should employ the total unemployment rate to assure that States and their long-term unemployed workers are treated fairly.

Fourth and finally, the financing of the program should be arranged so that as a State's unemployment rate increases, the Federal Government will pay an increasing share of the benefits in that State. This can be justified on the grounds that it is extremely likely that unusually heavy unemployment in any State will be largely the result of economic circumstances beyond its borders and control.

It also is necessary in order to minimize future additions to the heavy debts that have been incurred by the trust funds of those States that have been hit hardest by unemployment in the current recession. To ignore this situation may result in ever-increasing employer taxation, and thereby serve as a disincentive to private sector hiring with the greatest increases in taxes falling in the States that have had the worst unemployment and are in greatest need of new hiring.

I was pleased to join with Senator Heinz in introducing this legislation, S. 1784, which will do precisely these things which badly need to be done, and which will make other changes or a more technical nature that also are very important. Two of the original cosponsors, Senators Moynihan and Matsunaga, are members of this committee, in addition to Senator Heinz.

Mr. Chairman, if I may, I would like to submit for the record a summary of the purposes of this bill, a chart showing the distribution of benefits and financing mechanisms it provides, and a brief

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summary of its provisions, together with the entire prepared speech which I have attempted to and will continue to read excerpts from

The CHAIRMAN. Without objection, that will be done.

[The prepared statement and materials furnished by Senator Byrd follow:]

TESTIMONY OF
SENATOR ROBERT C. BYRD
OF WEST VIRGINIA
BEFORE THE
SENATE COMMITTEE ON FINANCE

September 16, 1983

Mr. Chairman and distinguished Members of the Committee:

Let me begin by expressing my appreciation for the opportunity to testify before you today. The work this Committee does in the next week to ten days will be critical to determining the future course of unemployment insurance in this nation.

The economic indicators signal that we have begun to climb out of the depths of the recession in which we have been mired since July of 1981. As the long-awaited recovery materializes, however, we must not forget that recovery will be a very long time coming to many millions of Americans who lost their jobs and, in many cases, their possessions and homes as well during the past two years.

Unemployment still is at a terribly high level on a nationwide basis. The national unemployment rate in August, the latest month for which the Department of Labor has announced figures, was 9.5 percent.

No public official should rest while we have over 10.7 million persons in the American work force who are idle; while 5.8 million are working part time because they cannot find full time work; and while 1.7 million are still so discouraged as a result of their unsuccessful search for work that they have dropped out of the labor force altogether, and are not counted among the officially unemployed.

And the picture is even bleaker in some of the states that have been hardest hit by the recession. In June, the last month for which the U.S. Labor Department has compiled comprehensive figures, my state of West Virginia had a 17.5 percent unemployment rate. Michigan had a 14.6 percent unemployment rate. Ohio had a 12.8 percent rate. All told, 27 states and the District of Columbia had rates 9 percent or higher.

It also is important to note that those who have been laid off in this recession are remaining unemployed longer than in previous recessions. In May of this year, one million, five hundred, and fifty thousand workers had been unemployed for a full 12 months, and this does not count the structurally unemployed who have not worked in recent years.

It is all too clear to those of us who have seen their plight first hand, who have talked to them in the communities in our states and districts, and who receive letters and calls from them on a daily basis, that these unemployed workers and their families are the hapless victims of our nation's economic illness.

The saga of the unemployed worker and his or her family has been repeated countless thousands of times. Tragedy is not too strong a term to apply here.

As I have noted, unemployment insurance usually is available as a partial cushion. However, the unemployment insurance system currently is not functioning to provide the degree of cushioning that I believe the Congress intended. This is true primarily with respect to programs of additional benefits beyond those available through the basic U.I. programs operated by the states. The system simply was overcome by the severity of this recession and the magnitude of unemployment we have experienced and continue to experience, and by flaws that this severe testing of the system has revealed starkly.

Presently, although 28 of the 53 states and other jurisdictions have unemployment rates of 9 percent or greater, and the national unemployment rate is 9.5 percent -- very severe unemployment by historical standards -- only 2 states are eligible for Extended Benefits -- the second of three tiers of benefits available through the unemployment insurance system. This unacceptable situation is primarily the result of the use of the Insured Unemployment Rate (the I.U.R.) as the sole state eligibility determinant for the Extended Benefits program.

In 1981, the Congress made two changes in the use of the I.U.R. The first change increased the level of the I.U.R. a state must have to qualify. The second change omits from the computation of the I.U.R. any person receiving benefits beyond regular state benefits. The I.U.R. continues to omit in its computation all persons who have exhausted all U.I. benefits, as it did before 1981.

Even had these changes not been made, however, use of the I.U.R as the sole state eligibility determinant for the Extended Benefits program was badly flawed. States that are hardest hit by unemployment -- particularly where the average duration of unemployment is highest -- are substantially disadvantaged, because a greater proportion of their unemployed populations are not counted in the I.U.R. This distorting effect generally is greatest as a state's unemployment rate peaks and begins to fall but still remains very high -- as currently is the case in many states. My own state of West Virginia provides a vivid example: while its total unemployment rate currently is 17.5 percent, its I.U.R. is only 7.19 percent.

In addition to this unacceptable situation with the Extended Benefits program, we are facing another crisis in the Supplemental Compensation program -- the third or last tier of benefits. This tier expires again on September 30. It is absolutely unthinkable that Congress will fail to continue providing a number of weeks of benefits at least equal to the number now available, counting the weeks of Supplemental Compensation. And yet we must go through the motions to be sure that the program is reauthorized again, and avoid an interruption that could be devastating for the unemployed and their families who are dependent on these benefits while they still cannot find work.

There is yet a third major problem with the portions of the unemployment insurance system that are superimposed on top of the basic state U.I. programs. This problem is the confusion, distress, and cynicism that result from one of the most complicated programs operated at any level of government in this nation -- that result from a program that is supposed to help those who have fallen upon hard times, but, instead, often stymies and boggles the mind. It defies understanding by the workers it is designed to protect, by the employers who pay into its trust funds, by the taxpayers who finance some of its benefits through general revenues, and, indeed, by the members of Congress who are its creators, and the federal and state administrators who are charged with operating it.

The Extended Benefits and Supplemental Compensation programs are crying out for repair. The basic idea of such additional benefits is sound; it is, in fact, essential. But these programs must be reformed so that they actually will provide the protection they were intended to provide. They must be reformed so they will be dependable. And they must be reformed so that those who need benefits beyond those provided in basic state programs, those who pay the costs, and those who operate the programs can understand what help is available, how to obtain it, how much it costs, and how to operate the programs providing it efficiently.

These are not minor repairs. They cannot be accomplished by tinkering with the programs. It is time for a real overhaul of the system beyond the basic benefit programs at the state level.

It seems clear to me that now -- when major revisions in the Extended Benefits program are required, and when the Supplemental Compensation program expires in two weeks -- now is the time to make sense out of this confusion by combining these two programs so that they no longer exacerbate each other's flaws. There are a number of changes that need to be made. I wish to highlight the most important.

First, rather than having two programs that operate according to inexplicably conflicting state eligibility standards and result in incomprehensible durations of benefits, there should be only one program providing benefits beyond those available through the basic programs operated by the states.

Second, rather than having, as in the current Extended Benefits program, state eligibility requirements that dictate a state is eligible for "all or nothing" of the current 13-week benefit period, the program should be structured as the Supplemental Compensation program now is structured -- so that states with the highest levels of unemployment are eligible for the greatest number of weeks of benefits, and those benefits stage down as unemployment rates are lower.

Third, the use of the Insured Unemployment Rate as the sole determinant of eligibility no longer is acceptable. It is well known that the Total Unemployment Rate compiled each month by the Bureau of Labor Statistics is based on a national sample, and that the probability of significant error is high with respect to states

wih smaller populations because the sample size is so small there. Admittedly its use is not ideal. But surely it is apparent that use of the I.U.R. also is far from ideal.

Last Friday, the Brookings Institution published a study containing a striking fact. During 1982, only 45 percent of unemployed workers received unemployment insurance benefits, compared to 78 percent during the recession year of 1975. One of the principal reasons cited by the study's author is that the I.U.R. no longer is accurate in measuring how difficult it is for unemployed workers to find jobs, and consequently is not desirable as a trigger for benefits beyond those in a state's basic program.

As a practical matter, we should not tolerate a methodology that causes a state with 15 percent unemployment to receive only a very few weeks of benefits beyond those in the basic program. So, although efforts should be redoubled to find a "better mousetrap", in the meantime we should employ the Total Unemployment Rate to assure that states and their long-term unemployed workers are treated fairly.

Fourth, and finally, the financing of the program should be arranged so that, as a state's unemployment rate increases, the federal government will pay an increasing share of the benefits in that state. This can be justified on the grounds that it is extremely likely that unusually heavy unemployment in any state will be largely the result of economic circumstances beyond its borders and control. It also is necessary in order to minimize future additions to the heavy debts that have been incurred by the trust funds of those states that have been hit hardest by unemployment in the current recession. To ignore this situation may result in ever-increasing employer taxation and thereby serve as a disincentive to private sector hiring -- with the greatest increases in taxes falling in the states that have had the worst unemployment and are in greatest need of new hiring.

I was pleased to join with Senator Heinz in introducing legislation -- S. 1784 -- that will do precisely these things which badly need to be done, and which will make other changes of a more technical nature that also are very important. Two of the original cosponsors -- Senators Moynihan and Matsunaga -- are members of this Committee, in addition to Senator Heinz. Mr. Chairman, if I may, I would like to submit for the record a summary of the purposes of this bill, a chart showing the distribution of benefits and financing mechanisms it provides, and a brief summary of its provisions.

I also should point out that, because it will take a number of states some time to bring their own state laws into accord with the changes in federal law we propose, our bill includes a transition provision. That provision includes three parts: an extension of the Federal Supplemental Compensation program in its current form; and two changes in the Extended Benefits program: allowing use of an 11 percent Total Unemployment Rate as an alternative eligibility determinant at state option, and dropping the requirement that a state's Insured Unemployment Rate must be greater than in prior

years in order to qualify for the program during the transition period.

States may take advantage of the new program established by our bill whenever they are able after it is enacted, but are not required to do so until several months after their legislatures adjourn after they next convene in regular session. If the Committee agrees it would be desirable, I believe it would be suitable to allow each state the option of choosing the date on which it would implement the new program any time between the date of enactment and January 1, 1985.

One important note: under our bill, there will be a number of states that would receive fewer weeks of benefits than they now receive if the new program's provisions were implemented immediately. In almost every case, those are states which currently have low Insured Unemployment Rates and are eligible for the minimum benefits under the Supplemental Compensation program. The Senators from those states should keep two factors in mind: First, every state will receive the same number of weeks of benefits it now receives or will in the future receive under current law for the duration of the transition period in that state. As I mentioned, I believe it might be desirable to allow states to determine the duration of that period, up to a maximum of 15 months. Second, eventually the Supplemental Benefits program will expire and Congress will not extend it. When that happens, those 48 states now receiving Supplemental Benefits but not eligible for Extended Benefits will receive no weeks of benefits. I can assure that, under our bill, more states will be better off than they will be if they can rely on only the Extended Benefits program as it currently exists.

At the hearings of the House Ways and Means Subcommittee on Tuesday of this week, the Administration announced that, because it anticipates unemployment remaining very high for many months, it would seek an 18-month extension of the Supplemental Compensation program, at a cost of $3.3 billion. The Administration's proposal does not provide a sufficient number of weeks of benefits to states with the highest levels of unemployment -- it is unacceptable, in my view, to reduce the number of weeks from the levels now available in high unemployment states. But I am pleased and encouraged by the Administration's acknowledgement that additional benefits will be needed for at least 18 months, and I hope the Congress will act to assure additional benefits will be available for at least that period of time.

Unfortunately, the Administration did not support the kinds of changes in the Extended Benefits program that are needed to make that program more than a false promise to the nation's unemployed. When the Congress put the E.B. program in place, it intended for the program to provide additional weeks of benefits during periods of moderate to severe unemployment. I do not believe anyone can be found who will claim the program now is functioning as Congress intended.

This leads me to the following conclusion: if the unemployment situation, in virtually everyone's view, will be so severe for the next 18 months that benefits beyond those available in basic U.I

programs will be needed, and if we are faced -- and we are -- with a choice of providing those benefits by tinkering with the existing flawed system of programs or putting in place a thoughtfully-designed consolidated program to do that, there is only one answer that appears logical to me. I believe it would be irresponsible for the Congress just to leave the present "hodgepodge" of programs in place for even a few more months, much less for at least eighteen more.

Furthermore, the bill which Senator Heinz and I introduced would accomplish what the Administration seeks -- providing additional benefits. And, because it would be a permanent program, we would not need to worry about whether an F.S.C. extension should be for 6 months, 12 months, 18 months, or even longer. It would be available to those states with high unemployment whenever that high unemployment occurs. It also allows us to lay aside the questions of how the F.S.C. program should relate to the Extended Benefits program and vice versa, because it will be one consolidated program operating logically and rationally to provide benefits where they are needed. And we need not struggle under the concept of our bill with what changes should be made to the Extended Benefits program to make it a functioning program again. Both the Extended Benefits and Supplemental Compensation programs are replaced completely by the new program we propose.

At a time when we all are hopeful that the corner has been turned toward national economic recovery, we must not forget those who are the victims and remain the victims of this sad episode in our nation's economic history. We must take steps to assure that the cushion of unemployment assistance actually is available to those who need it. Just as important, we should act now, while the failings of the U.I. system are fresh in our minds, to assure that the system will operate more fairly, dependably, and efficiently in the future.

I commend to your consideration the bill which Senator Heinz and I, with cosponsors from both parties, introduced in a spirit of bipartisan cooperation. We believe it could solve the major problems that have confronted the U.I. system in recent months.

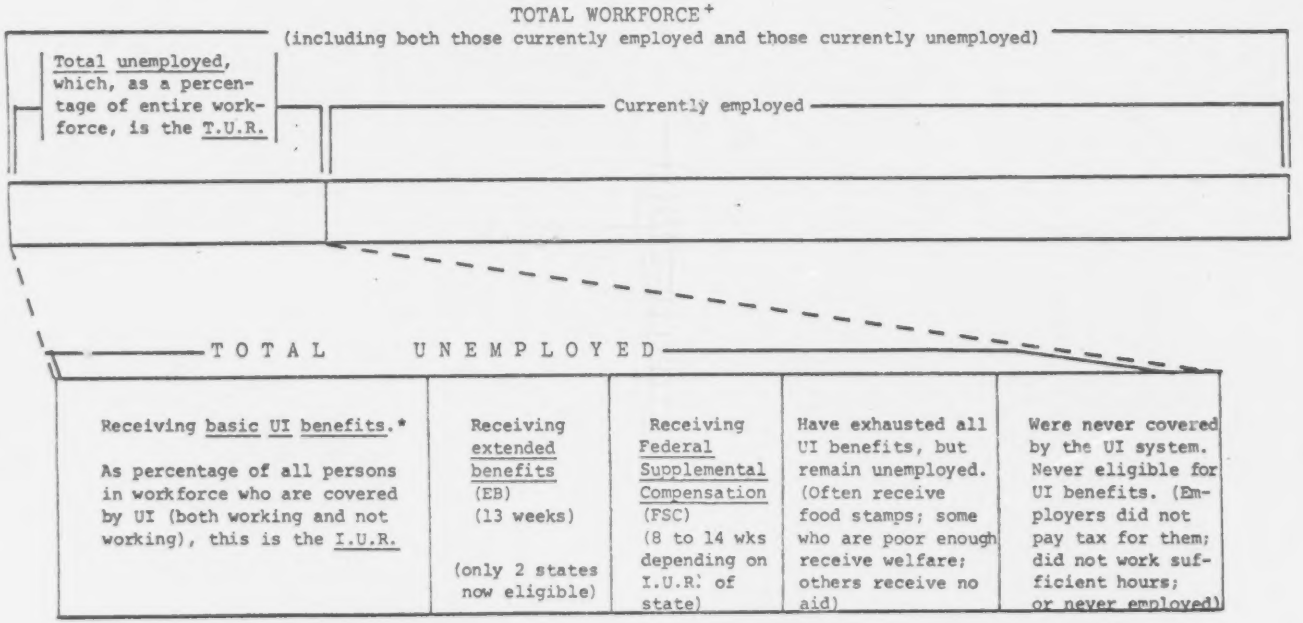
I hasten to add that we do not claim that every one of the detailed provisions of our bill is the perfect approach. Surely there is room for improvement, and this Committee's expertise should be brought to bear on that challenge. In particular, with respect to a state eligibility determinant, the Committee may wish to investigate some alternative to sole use of the Insured Unemployment Rate other than use of the Total Unemployment Rate. Our bill requires the Department of Labor to undertake a study with this objective, but the Committee may wish to use a different device even now. The Committee also may wish to modify the schedule determining how program costs will be divided between the state and federal governments. It may be desirable to incur slightly greater federal costs in order to assure that hard-pressed states will not have to bear a larger fiscal responsibility at some benefit duration levels.

But I am hopeful that this Committee will act boldly to set in place (1) a logically constructed, single program of benefits beyond state basic programs; (2) with benefits determined by unemployment level; (3) available permanently to states whenever they have high unemployment; (4) with federal financial responsibility increasing as unemployment worsens; and (5) with use as the state eligibility determinant of a more accurate reflector of the difficulty of finding employment than the Insured Unemployment Rate.

Again, I thank you for the opportunity to talk with you today. I offer my respect and my best wishes as you grapple with the problem of making the U.I. system both more rational and more effective in meeting need. If I can be helpful in any way, I hope you will call on me.

THE COMPOSITION OF UNEMPLOYMENT, AND

A COMPARISON OF THE INSURED UNEMPLOYMENT RATE (IUR) AND THE TOTAL UNEMPLOYMENT RATE (TUR)


TOTAL WORKFORCE+
(including both those currently employed and those currently unemployed)
Total unemployed, which, as a percentage of entire workforce, is the T.U.R.
Currently employed
TOTAL UNEMPLOYED
Receiving basic UI benefits.*
As percentage of all persons in workforce who are covered by UI (both working and not working), this is the I.U.R.
Receiving extended benefits (EB) (13 weeks)
(only 2 states now eligible)
Receiving Federal Supplemental Compensation (FSC) (8 to 14 wks depending on I.U.R. of state)
Have exhausted all UI benefits, but remain unemployed. (Often receive food stamps; some who are poor enough receive welfare; others receive no aid)
Were never covered by the UI system. Never eligible for UI benefits. (Employers did not pay tax for them; did not work sufficient hours; or never employed)

* 26 weeks in most states (determined by State Legislature). Maximum range from 20 weeks in Puerto Rico to 34 weeks in Wisconsin and D.C.

\+ Approximately 88% of total workforce (employed and unemployed) covered by Unemployment Insurance, and in most cases will be eligible for benefits if they lose their jobs

REPLACEMENT OF THE CURRENT EXTENDED BENEFIT AND FEDERAL SUPPLEMENTAL COMPENSATION PROGRAMS WITH A CONSOLIDATED PROGRAM

Objectives:

A consolidated program providing benefits beyond those available under the states' basic unemployment insurance programs (generally a maximum of 26 weeks of benefits) is proposed for several reasons:

(1) in order to remedy the current problems with the Extended Benefits program, wherein many states with high unemployment have been ineligible to participate in it because of various "quirks" in its eligibility criteria;

(2) in order to simplify the unemployment insurance system, so that it can be better understood by the public, by public policymakers, by businesses required to support part of its costs through employment taxes, and by those needing its benefits;

(3) in order to offer relief from terrible pressures on unemployment trust funds caused by heavy eligibility for extended benefits in those states beset by high unemployment currently or in the future; and

(4) in order to set in place a permanent program providing a maximum duration of benefits beyond that available currently from the combination of basic and extended benefits, with the duration of benefits available to any state varied on the basis of the state's level of unemployment, removing the necessity for special Congressional action during periods of extreme economic distress and preventing harmful delays in additional assistance reaching the unemployed in distressed states.

The proposed program replaces both the Extended Benefits and Federal Supplemental Compensation programs.

Benefit and Financing Structure of the Program:

The following benefits will be available to each state's long-term unemployed persons, based on the state's Insured Unemployment Rate (IUR) or on its Total Unemployment Rate (TUR) (whichever results in a greater number of weeks of benefits for the state), with costs being covered by the state and federal governments as indicated:

When State IUR Equals (%age)	And IUR Is 'X'% or greater of prior years*	OR	TUR Is 'Y'% or greater	Unemployed Persons Receive 'Z' Weeks of Benefits**	Costs Split: State Share/ Federal Share*** (%ages)	Percent Federal Share from Trust Fund**** / General Rev
0-3.99	----		N/A	0	-------	--------
4-4.99	130%		9.0	10	50 / 50	100 / 0
5-5.99	105%		10.0	20	40 / 60	75 / 25
6-6.99	105%		11.0	25	30 / 70	50 / 50
7 & above	105%		12.0	30	20 / 80	25 / 75

* I.e., 'X'% of the average of the IUR in the same week in each of the six previous years

** When the national seasonally-adjusted total unemployment rate equals or exceeds 10.0 percent, unemployed persons in states in the 0-3.99 percent IUR tier will be eligible for five weeks of "Additional Benefits", and five additional weeks will be paid (beyond the number listed) for each other tier -- with all such weeks being funded 100 percent from federal general revenue

*** State share to be paid from the State trust fund.

**** Federal trust fund revenues derived from FUTA

Other Alterations in Current Law with Respect to the Extended and Supplemental Benefits Programs:

If a state qualifies on the basis of IUR for a particular tier, but fails to qualify on the basis of the "percentage of prior years" factor, it automatically qualifies for the next lower tier.

If a state has high total unemployment, but a low IUR, the number of weeks of benefits for which it will be eligible will be determined on the basis of its TUR (as noted in the chart above) if that will result in a greater number of weeks of benefits in the state.

The "percentage of prior years" factor will be qualified on the basis of a six-year average rather than a two-year average.

The IUR will be seasonally adjusted.

Each state will have four identical "Benefit Duration Periods" of three-month duration during each federal fiscal year. The number of weeks, if any, of benefits to be paid under the proposed program will be determined at the beginning of that period, and the state will pay that number of weeks of benefits until the next "Benefit Duration Period begins three months later. Each "Benefit Duration Period" will begin on the first Sunday following the first day of the first month in each quarter, with the first quarter beginning with October of each year.

When a person becomes eligible for any benefits to be paid under the proposed program, he will be eligible for the number of weeks of benefits for which the state is eligible at the time he gains eligibility for these additional benefits, and will remain eligible for that number of weeks of benefits regardless of whether the state falls to a lower tier of benefits -- unless the state falls from one tier of benefit duration to a tier two or more below it during the course of the individual's eligibility for these benefits, in which case his duration of benefits will be adjusted to the proper number of weeks at that lower tier (by subtracting from the number of weeks of benefits payable at that lower tier the number of weeks of benefits under this program that previously were paid to that individual -- but in no case will that number be fewer than 2 weeks). If the state rises to a higher tier of benefits during the course of that individual's eligibility episode for the additional benefits, his duration of benefit eligibility will be extended by the difference between the two.

When a person eligible for benefits under this program moves to another state, he remains eligible under the provisions governing his eligibility in the state from which he moved, and that state will continue to pay benefits to him as though he were a resident of the state from which he moved (including duration of benefits).

With respect to any individual, a state is granted flexibility to modify the requirement for active work search, and provision to the Employment Service of tangible evidence of same, currently applicable to the Extended and Supplemental Benefits program if the state determines that labor market conditions in both the labor market areas in which the individual works and resides are so depressed that such efforts as normally are required likely will not result in employment, in accord with regulations to be promulgated by the Secretary.

In order to be eligible for benefits under this program, an unemployed person must participate in one week of an intensive job search program administered by the Employment Service if the Employment Service requests such participation and provides such a program that is accessible to the unemployed person.

Transition Provisions:

The effective date of all changes noted above will vary in each state. Each state must modify its program to align with the new federal requirements no later than two months following the adjournment of the first session of that state's legislature that adjourns no earlier than four months after the date of the enactment of this Act. The Extended Benefits program and the Supplemental Benefits program (if any is still in effect at that time) will cease to be available to unemployed persons in that state on that date. Until that date, the state may proceed under current law (as that law may otherwise be modified in the meantime).

The FSC program is extended in its current form (Social Security Amendments), including the phase-out provision, but omitting the look-back provision, through March 31, 1984.

The 120% factor in the Extended Benefits Program is repealed.

The state option for use of the TUR as an eligibility factor for Extended Benefits, as contained in S. 1589 (98th), is effective through March 31, 1984.

Other Provisions:

The Department of Labor is required to make a study of new and more accurate measurements of unemployment for use as "triggers" in unemployment insurance programs, and to submit its findings and recommendations to the Congress no later than June 1, 1984.

The Bureau of Labor Statistics is instructed to expand by a factor of 3 its sample size for determining the Total Unemployment Rate, giving special consideration to increasing the statistical reliability of each individual state's TUR calculation, and such sums as may be necessary are authorized to fund this expanded sample.

MAJOR PRINCIPLES EMBODIED IN S. 1784

1. There should be only one program providing unemployment benefits beyond those available under states' basic U.I. programs, rather than the two now existing which are poorly coordinated and relate to each other inconsistently and inexplicably.

2. There should be an increasing number of weeks of benefits available under the consolidated program as the level of a state's unemployment increases (much as is now the case in the Supplemental Compensation program).

3. The availability of additional weeks of benefits (beyond those in state's basic program) based on the state's unemployment level should be permanent under the consolidated program, so that it will not be necessary for the Congress to take affirmative action to set in place additional benefits as in the case of the Supplemental Compensation program, and so that these additional benefits will be available to states and multi-state regions that suffer from high unemployment even when the nation as a whole is not suffering from overall high unemployment and Congress therefore would be unlikely to act to establish a temporary program of additional benefits.

4. As a state's level of unemployment increases, the federal share of costs should increase for the benefits under the consolidated program. This is true because the cause of persistent high unemployment on a statewide basis almost always can be traced beyond the state's borders to national economic policy and even international economic circumstances -- both far beyond the control of that state and its workers and businesses.

5. Because the Insured Unemployment Rate (I.U.R.) has proved itself to be an unsuitable determinant of state eligibility for additional unemployment benefits, excluding from eligibility many states with very high unemployment, either it should be replaced as the state eligibility determinant or states should be provided with an alternative determinant of eligibility for additional benefits that better reflects need for additional benefits beyond those provided by states' basic programs. One or the other of these changes should be made immediately. It appears that the Total Unemployment Rate (T.U.R.) may be the best alternative currently available, and its immediate use is recommended. However, a concentrated study should be conducted to see if it is possible to devise some measure of a state's need for additional benefits that would be preferable to both the I.U.R. and T.U.R. When and if such a new measure can be found, it should be substituted.

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SENATOR BYRD. I should also point out that because it will take a number of States some time to bring their own State laws into accord with the changes in Federal law we propose, our bill includes a transition provision. That provision includes three parts, an extension of the Federal supplemental compensation program in its current form, and two changes in the extended benefits program: (1) allowing use of an 11-percent total unemployment rate as an alternative eligibility determinant at State option, and (2) dropping the requirement that a State's insured unemployment rate must be greater than in prior years in order to qualify for the program during the transition period.

States may take advantage of the new program established by our bill whenever they are able after it is enacted, but are not required to do so until several months after their legislatures adjourn, after they next convene in regular session.

If the committee agrees it would be desirable, I believe it would be suitable to allow each State the option of choosing the date on which it would implement the new program any time between the date of enactment and January 1, 1985.

One important note. Under our bill, there will be a number of States that would receive fewer weeks of benefits than they now receive if the new program's provisions were implemented immediately. In almost every case, those are States which currently have low insured unemployment rates, and are eligible for the minimum benefits under the supplemental compensation program.

The Senators from those States should keep in mind two factors. First, every State will receive the same number of weeks of benefits it now receives or will in the future receive under current law for the duration of the transition period in that State. As I mentioned, I believe it might be desirable to allow States to determine the duration of that period up to a maximum of 15 months.

Second, eventually the supplemental benefits program will expire, and Congress will not extend it. When that happens, those 48 States now receiving supplemental benefits but not eligible for extended benefits will receive no weeks of benefits.

I can assure that under our bill, more States will be better off than they will be if they can rely only on the extended benefits program as it currently exists.

At the hearings of the House Ways and Means Subcommittee on Tuesday of this week, the administration announced that because it anticipates unemployment remaining very high for many months, it would seek an 18-month extension of the supplemental compensation program at a cost of $3.3 billion. The administration's proposal does not provide a sufficient number of weeks of benefits to States with the highest levels of unemployment.

It is unacceptable in my view to reduce the number of weeks from the levels now available in high unemployment States, but I am pleased and encouraged by the administration's acknowledgement that additional benefits will be needed for at least 18 months, and I hope the Congress will act to assure additional benefits will be available for at least that period of time.

Unfortunately, the administration did not support the kinds of changes in the extended benefits program that are needed to make that program more than a false promise to the Nation's unem-

ployed. When the Congress put the extended benefits program in place, it intended for the program to provide additional weeks of benefits during periods of moderate to severe unemployment. I do not believe that anyone can be found who will claim that the program now is functioning as Congress intended.

This leads me to the following conclusion. Namely, if the unemployment situation in virtually everyone's view will be so severe for the next 18 months that benefits beyond those available in basic unemployment insurance programs will be needed, and if we are faced, and we are, with a choice of providing those benefits by tinkering with the existing flawed system of programs or putting into place a thoughtfully and well designed consolidated program to do that, there is only one answer that appears logical to me.

I believe it would be irresponsible for the Congress just to leave the present hodge-podge of programs in place for even a few more months, much less for at least 18 more months. Furthermore, the bill which Senator Heinz and I introduced would accomplish what the administration seeks, namely, providing additional benefits, and because it would be a permanent program, we would not need to worry about whether an FSC extension should be for 6 months, 12 months, 18 months, or even longer.

It would be available to those States with high unemployment whenever the high unemployment occurs. It also allows us to lay aside the questions of how the FSC program should relate to the extended benefits program and vice versa, because it will be one consolidated program operating logically and rationally to provide benefits where they are needed, and we need not struggle under the concept of our bill with what changes should be made to the extended benefits program to make it a functioning program again.

Both the extended benefits and supplemental compensation programs are replaced completely by the new program that is proposed in the bill, S. 1784. I commend to your consideration the bill, that I, with cosponsors from both parties, introduced in a spirit of bipartisan cooperation. We believe it should solve the major problems that have confronted the unemployment insurance system in recent months.

I hasten to add that we do not claim that every one of the detailed provisions of our bill is the perfect approach. Surely, there is room for improvement, and this committee's expertise should be brought to bear on that challenge. In particular, with respect to a State's eligibility determinant, the committee may wish to investigate some alternative to the sole use of the insured unemployment rate other than use of the total unemployment rate.

Our bill requires the Department of Labor to undertake a study with this objective, but the committee may wish to use a different device even now. The committee also may wish to modify the schedule determining how program costs will be divided between the State and Federal governments. It may be desirable to incur slightly greater Federal costs in order to assure that hard-pressed States will not have to bear a larger fiscal responsibility at some benefit duration levels.

But I am hopeful that this committee will act boldly to set into place, (1) a logically constructed, single program of benefits beyond State basic programs; (2) with benefits determined by unemploy-

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ment level; (3) available permanently to States whenever they have high unemployment; (4) with federal financial responsibility increasing as unemployment worsens; and (5) with use as the State eligibility determinant of a more accurate reflector of the difficulty of finding employment than the insured unemployment rate provides.

Again, I thank you for the opportunity to appear before the committee, and I offer my respect and my best wishes as you grapple with the very complex and difficult problem of making the unemployment insurance system both more rational and more effective in meeting needs.

If I can be helpful in any way, I hope you will call upon me.

The CHAIRMAN. I certainly want to compliment you, Senator Byrd and Senator Heinz, on the time that you have spent putting together this comprehensive proposal. I think it may be time for the Congress, as you pointed out in your statement, and the administration, certainly, to undertake a serious study of the unemployment insurance system, especially the extended benefits program, which is one-half federally financed.

As you have indicated, your bill is a starting point. We will try to address it seriously as soon as we meet some of the deadlines that we have between now and the end of this month, and between now, I guess, and the October recess. But I pledge, with the support, I am certain, of Senator Long and others on the committee, Senator Matsunaga, Senator Moynihan, and Senator Heinz, who are the cosponsors, that we will have hearings at the earliest possible time. We will solicit detailed responses from the Labor Department, the administration, organized labor, business groups, and others, so that we can take a hard look at your proposal.

I would like to defer now to the principal cosponsor, Senator Heinz, for any comments he would like to make.

Senator HEINZ. Mr. Chairman, thank you very much. I will be brief, and I would ask that my prepared statement be placed in the record at this point.

[The prepared statement of Senator Heinz follows:]

STATEMENT OF SENATOR JOHN HEINZ

Mr. Chairman, today's hearing will focus on the Federal extended benefits program, the authorization for which expires on September 30th.

It is generally recognized that an extension of this program is appropriate in light of the continuing which levels of unemployment in the Nation. Those levels of unemployment are predicted to remain at high levels through the next 18 months.

In my home State of Pennsylvania, the total unemployment rate remains in double digits. Many of the unemployed in Pennsylvania have been out of work for a year or longer. This committee will hear testimony from some of my constituents with the Mon Valley Unemployed Committee, who can, more eloquently than I, describe the necessity for adequate assistance for jobless Americans. They are living in the nightmare of unemployment, and the frustration of looking for jobs that just do not exist.

Mr. Chairman, the economic recovery now underway is welcome news. However, almost 1 million Americans looking for work still cannot find a job. The Congress must continue to search for ways to quicken the pace of the recovery without reigniting inflation and interest rates.

During the next several weeks, the Finance Committee's Subcommittee on Economic Growth and Employment, which I chair, will be holding hearings on the state of our Nation's basic industries. Hopefully, the hearings will enable us to uncover solutions to the many problems facing our heartland industries which have been

most affected by the recession, and are still only sluggishly participating in the general economic recovery.

I would expect that the subcommittee would proceed to hearings on the other sectors of the economy in the coming months, with the intention of seeing how we can remove artificial barriers to employment growth in the services and high-technology areas as well.

Even as we seek to promote employment, we must fulfill our obligations to the millions of unemployed Americans who are struggling to meet mortgage payments, pay hospital bills, and put food on the table.

In my view, Mr. Chairman, the current unemployment compensation system, particularly after the regular State program, is unnecessarily complicated, confusing, and ineffective. I believe that we should overhaul the current system, and take a fresh look at coordinating the unemployment compensating program and Federal job training efforts.

The State trust funds are in deplorable condition. 35 States will owe the Federal Government money by the end of the year. The Federal trust fund is just as bad. We've devised a supplemental benefits program to meet a temporary problem, but now we are talking about extending that program for 18 months. Our "temporary" program will then have been in place for 2½ years.

Mr. Chairman, the National Governors' Association has called for a thorough review of the existing unemployment compensation program. I would hope that the Department of Labor and the appropriate committees could examine this program in the very near future with the aim of reporting out legislation. We have some very serious structural problems in the existing system, and we ought to fix them.

Senator HEINZ. I would like to make just two comments in support of what Senator Byrd has said. I am deeply indebted to Senator Byrd and his able leadership on this legislation.

Mr. Chairman, we will keep it the Byrd-Heinz bill, keep it in this committee, because it is named after its author and its initiator, who has done a tremendous amount of work on this, as I think is apparent to the committee.

I would make the following observations. First, I was somewhat concerned earlier this week when Senator Byrd and I were before the Ways and Means Committee to hear in the testimony of the administration spokesman, Mr. Benjamin, a characterization that the unemployment problems we are having and the problems we are attempting to solve with the Federal supplemental benefits program are just a temporary kind of problem, and the strongest evidence against it being characterized as a temporary problem is the fact that if you take the something over a year that we have had the FSB program on the books and in effect and you add to it the 1½-year extension of it by the administration, the administration's definition of temporary problem is, at a minimum, 2½ years.

So, by our own estimate and by the Reagan administration's estimare, temporary is a very long time indeed. We should recognize that we seem to be in a cycle of economics where recessions are no longer quick and over and done with and recovered from easily. The world does not work that neat, clean way any more, because now we are so much more linked to the entire world. There was a time when we were an economic island unto ourselves. Now that is no longer true, and perhaps that is the reason.

But whatever the reason, we are in for longer economic cycles, and our legislation should reflect that reality. That is a philosophical argument for what Senator Byrd is proposing.

Now, let me give you a political argument for what Senator Byrd is proposing. I served in the other body during the 1974–75 recession. It was not Pittsburgh and West Virginia that suffered worst in that recession. It was the Northeast. It was New York, New

England, the Atlantic Coastal States. In this recession, of course, it is the Midwest, it is the industrial North. New England unemployment rates are rather healthy as compared to those in our Central States today. Maybe our next recession will hit the South, or it will hit the Mountain States or the West. That is the point. We cannot predict what the next economic cycle will bring, nor where it will bring it.

So, while it would be apparent on its face today, Mr. Chairman, that what we are proposing might benefit parochially our region of the country, there is no guarantee that some other region of the country wil not be hurt far worse next.

Having said that, let me assure you that we in our hard-pressed region want an insurance policy for our people.

Last, Mr. Chairman, Senator Byrd has talked about the total unemployment rate and the insured unemployment rate. I think we are all unaware of the terrible deficiencies of using the insured unemployment rate as the sole measure of the problem. Yesterday, the House Ways and Means Subcommittee, at its markup, with Republican support, adopted the total unemployment rate as an alternative measure.

Now, thinking of the FSB extension legislation that is before us, it would be my strong and urgent hope that we would include using the total unemployment rate as an alternative means of triggering FSB benefits, because we do not want to see what happened to States like my own State, Pennsylvania, on the extended benefits program happen to them because, for the statistical reasons we all know too well, a State with 10 or 11 percent unemployment, the total unemployment rate might trigger off the FSB program, and indeed, I am advised that that could happen between now and Christmas.

Talking about a turkey at Christmas time, that would be about as big a public policy turkey as we could hatch at Christmas time, and if you have ever heard me use the term "turning Uncle Sam into Uncle Scrooge," would have exceeded even our previous records by having done so. I would hope that the committee would understand that.

Thank you, Mr. Chairman.

The CHAIRMAN. Senator Byrd, do you have any further comments?

Senator BYRD. Thank you, Mr. Chairman. I do, and they are these.

If we cannot do the comprehensive reform that I talked about here today, and that is embraced by the bill which Senator Heinz and others and I have introduced. I would urge upon the committee that it at least do the following: First, extend the supplemental benefits program, and, second, in doing so, not reduce the levels of weeks of benefits under that program.

At the present time, there are 8, 10, 12, or 14 weeks available to States depending on their unemployment rates. Under the administration's proposal, I believe, there would be 6, 8, and 10, which would mean that those people in States that have the greatest need and where the total unemployment rate is the highest would fail to receive the same level of supplemental benefits as they do now.

So, I would hope that the committee would not reduce the weeks of benefits under the supplemental compensation program.

Third, I hope that the IUR would not continue to be the sole determinant of eligibility on the part of States with respect to the extended benefits program, and I would also hope that it would not be the only deciding factor as to the number of weeks for which States would qualify under the supplemental program. I hope that the TUR would be at least an alternative for States under which they might qualify for extended benefits, at least an alternative to the IUR.

If I might, let me take a moment to explain by this chart something which I am sure the chairman and members of the committee already know, but which I think it is important to point out for the record.

At the present time, and I will ask a member of my staff to use the pointer, at the present time, the top bar is the total number in our work force. Let us say in West Virginia the work force is between 600,000 and 700,000. That bar represents the 650,000 or 700,000 who are in the work force.

Now, on the left end of that bar we find the total unemployed, which at the present time is 17.4 percent. Now, if I might move that small bar on the left, which is the total unemployment in West Virginia, down to the bottom, so that it would extend across the chart, I would like to break that into five blocks. The one on the left, at the end of the bar, is representative of those who are receiving basic benefits under State law.

West Virginia pays 28 weeks. I believe most States pay 26 weeks. One jurisdiction, I believe, Puerto Rico, pays 20 weeks, and one or two States, perhaps Wisconsin and one or two other States and the District of Columbia, may pay as high as 34 weeks.

So, that far left bar is the basic unemployment insurance bar. The IUR is keyed to that particular bar.

The second block on the graph represents EB, those receiving extended benefits. Of course, as I have already indicated, there are two States and Puerto Rico which presently qualify to receive the extended unemployment benefits. The third bar, the middle one, represents those who receive Federal supplemental compensation benefits. All States qualify there, and they qualify for from 8 to 14 weeks, depending upon the IUR of each particular State.

The fourth block represents those who have exhausted all unemployment insurance benefits, but remain unemployed. They often receive food stamps, and some who are poor enough may go on welfare. Others receive no aid.

The last of the five portions of that bar include persons who were never covered by the unemployment insurance system, or never were eligible for unemployment insurance benefits. For example, employers did not pay tax for them, or they did not work sufficient hours, or they were never employed.

[Pause.]

Senator BYRD. I beg the chairman's pardon. I am also very interested in the War Powers Act, concerning which a note has just been given me.

Now, if States may use only the IUR as the determinant of the number of weeks States may receive under the supplemental pro-

gram and for eligibility under the extended benefits program, then we can see readily that insofar as the total unemployment rate is concerned, it being 17.4 percent in West Virginia, actually, those who receive basic State benefits constitute much less than the 17.4 percent and, because these alone determine eligibility for the extended benefits program, because they alone constitute the IUR. Many States will not meet that criterion, currently only two States and one other jurisdiction do meet it, because that insured unemployment rate is not a truly reflective measure of the unemployed or the need for benefits.

The same is true with supplemental compensation benefits. The number of weeks for which a State would be eligible would not be truly reflective of the need.

Now, what does IUR mean? That means that we divide the numerator, the numerator being the total number of people who are receiving the State basic unemployment insurance benefits, by the denominator, which is the total number of persons who are covered by the system. So as they move out of that State's basic program, they move on into extended benefits if the State qualifies, or they move afterward—I should say and/or they move into the supplemental compensation program, after which they leave the UI benefits system altogether. The State's eligibility for extended benefits and the State's eligibility with respect to the number of weeks of supplemental compensation is, as I said before, not based on an accurate reflection of need, and, as unemployment becomes more severe, that reflection becomes less and less and less and less accurate.

So, the people who need benefits under the extended program will not receive them, because the IUR does not reflect the need. The IUR is a measurement that I think is unacceptable and unrealistic. That is why I think we should use the TUR in determining eligibility of a State for the extended benefits program, and also in measuring the number of weeks that for which State will be eligible under the supplemental benefits program.

So, I would hope if the committee in its wisdom does not move toward comprehensive reform at this time, it will at least extend the supplemental benefits program, that it will not reduce the weeks, as the administration proposal does, that it will use the TUR, the total unemployment rate, rather than the insured unemployment rate, and that it will also provide for a greater sharing of costs on the part of the Federal Government when unemployment is higher than is now the case.

The CHAIRMAN. Thank you very much, Senator Byrd. We appreciate your testimony, and we will hopefully be working out something that is satisfactory to all parties concerned.

Senator BYRD. I thank the chairman, and I thank the committee.

The CHAIRMAN. Our next witness is the distinguished Senator from Michigan, Senator Levin.

Senator Levin, I might say that your entire statement will be made a part of the record. You may proceed in any way you wish. I will be back in just a moment, but Senator Heinz will remain, so please give your testimony.

STATEMENT OF HON. CARL LEVIN, A U.S. SENATOR FROM THE STATE OF MICHIGAN

Senator LEVIN. Thank you very much, Mr. Chairman. I want to thank you and Senator Heinz for giving me an opportunity to testify today on this unemployment issue.

The committee clearly should reauthorize the Federal supplemental compensation program, keeping the maximum 14 weeks of basic benefits provided for in the current program. That is just one of a number of necessary steps in dealing with a very real and very severe recession.

It is still a very real and very severe recession, but the unemployed in this country who live in States where joblessness is extremely high would certainly have every reason to expect the Congress to do more than reauthorize, simply reauthorize the current FSC program. The Members of this Congress would have no reason to be satisfied that they have dealt either logically or compassionately with the unemployment compensation issue if we simply reauthorize the FSC program.

At the same time that this committee reauthorizes the FSC program, it should take steps to make the 13-week extended benefit program into more than just the hollow shell of assistance that it has become. I would hope that the committee would consider modifying the current extended benefit program along the lines of legislation S. 1589 which I, Senator Dixon, Senator Gorton, Senator Specter, and others have introduced, along with a bipartisan group of cosponsors. This bill would incorporate the total unemployment rate, the actual unemployment rate into the determination of which States are eligible for extended benefits, and for which number of weeks for the FSC program.

Right now, the measure is the insured unemployment rate, which looks to the number of people who are out of work and receiving State unemployment benefits. The TUR, the total unemployment rate, looks to the number of people out of work and looking for jobs, and is a much better measure of labor market conditions.

The modification of the extended benefit program along with the reauthorization of the FSC program are both essential steps because beneath today's newspaper headlines still lines one stark fact that this committee must confront today. The beginning of the economic recovery has not measnt the end of the need to assist the massive numbers who continue to be the victims of the recession.

The nationwide unemployment rate has dropped from a horendous 10.8 percent, but it is likely to remain in the only slightly less horrendous 9.5 percent range for months to come. The current 2-month pause in the decline in the unemployment rate demonstrates how haltingly slow further reductions may come.

My own State of Michigan has now endured 44 consecutive months of double digit unemployment, and still has an unemployment rate of over 14 percent, and in fact that rate increased by over 1 percentage point in August.

Furthermore, Michigan is projected to have an unemployment rate 1 year from now which would still be more than 2 percentage points above the 10.8-percent rate which was the peak of national

unemployment in the recession. The people of my State must not be asked to endure without some traditional level of Federal assistance of level of unemployment higher than those which when reached on a national basis brought forth a bipartisan response and relief.

Unfortunately, the Federal unemployment compensation system is in the form of a 13-week extended benefit program and the 8- to 14-week Federal supplemental compensation program, and they have proven pitifully inadequate over recent months in providing reasonable assistance to the unemployed in the hardest hit States. There are now only two States eligible for the extended benefit program. Think of that. Despite near record unemployment, only two States receive extended benefits. In 1975, when unemployment was in the 8-percent range, we provided up to 64 weeks of unemployment benefits. In 1983, with higher unemployment, unemployment now at 9 percent, most States are eligible for 36 weeks or less of unemployment benefits.

I am here before the committee to say that this current situation just does not make any sense. Pennsylvania, with 11.5 percent, Illinois, with 11.7 percent, and Ohio, with 11.1 percent, along with my own home State of Michigan, with 14.3 percent unemployment, are not among the States now eligible for extended benefits. Not only is the situation outrageous, but it flies in the face of the original intent of the extended benefit program.

In my own State of Michigan, Mr. Chairman, the unemployment rate in May was 14.9 percent, and Michigan was eligible for 53 weeks of unemployment benefits. By August, unemployment had only dropped by about a half of 1 percent, but the maximum number of weeks of eligibility for unemployment benefits had precipitously dropped to 36 weeks. In other words, there was a 17-week drop in the number of weeks of unemployment compensation available in response to only a very modest decline in our unemployment rate.

This dropoff in the number of weeks of benefits resulted from Michigan's triggering off in June from the 13-week extended benefit program and the loss of 4 weeks of Federal supplemental compensation. The decline in benefits was mandated by a decline in Michigan's insured unemployment rate.

Now, there is much speculation as to why States with exceedingly high actual or total unemployment rates have experienced such extreme declines in the IUR's Whatever the explanation is, Congress simply must do something about it. In the words of a study which the Department of Labor itself commissioned with respect to the diversions of IUR and TUR, "The insured unemployment rate should be temporarily retired as a serious measure of labor market conditions."

I would just like to repeat that one line, because that comes from our own Department of Labor consultant: "The insured unemployment rate should be temporarily retired as a serious meassure of labor market conditions."

Senators Byrd, Heinz, Specter, Riegle, myself, and others have introduced a bill which will comprehensively deal with the problem. A bill which I earlier introduced, S. 1589, utilizes the TUR as an additional measure, while not disturbing the very imperfect

IUR as it stands. And Senator Byrd's bill incorporated that bill of mine, Senate bill 1589. This bill, Senate bill 1589, which has been described before this committee this morning by Senator Byrd, provides an alternative mechanism for a State to qualify for extended benefits.

As Senator Heinz pointed out just yesterday, a subcommittee of the House Ways and Means Committee adopted the TUR concept with bipartisan support. It simply does not make any sense to continue in place for one moment longer an IUR rate which the Department of Labor's own consultant says should be laid aside. It is an unjust rate. It results in some States receiving extended benefits with less unemployment than States that do not. It results in some States receiving more supplemental benefits than States that have higher rates of unemployment.

Mr. Chairman, the new trigger level which we have proposed for the extended benefits program in our bill, Senate bill 1589, would qualify States for that program if they have a total unemployment rate of 11 percent. In the States for which the Bureau of Labor Statistics compiles seasonally adjusted data for the TUR on a month-by-month basis, the 11-percent trigger would be determined by looking to the most recently available TUR data for those States.

That would cover the 10 most populace States in the Nation for which the statistical sample is large enough to make the TUR an accurate measure of the labor market conditions in a State on a month-by-month basis. In the remaining States and jurisdictions, the 11 percent trigger would be determined by looking to the 12-month rolling average of the TUR for those areas, and by looking to the most recently available 1-month data.

This two-pronged test is an attempt to make the measure timely, and to increase the sample size as well. It may also be possible to fine tune the TUR for those States even more to further improve its accuracy. Once calculated, the TUR could be used as an alternative to the insured unemployment rate for determining a State's eligibility for 13 weeks of extended benefits, and it could also be used in determining the number of weeks of Federal supplemental compensation which a State can receive.

The insured unemployment rate would not be repealed in this bill, but the total unemployment rate could act as a true safety net to insure that States with very high unemployment are not ignored by this Nation's unemployment compensation system. It is a targeted, modest bill, costing perhaps $400 to $500 million more than simply continuing the present system.

Mr. Chairman and Senator Heinz, again, I want to thank you for scheduling these hearings and giving me an opportunity to testify. I hope you will go beyond simply reauthorizing the Federal supplemental compensation system and make a change necessary to transform the extended benefit program into a real program providing real assistance for the unemployed in States such as mine where unemployment is still a very massive problem.

[The prepared statement of Senator Levin follows:]

TESTIMONY OF SENATOR CARL LEVIN

Mr. Chairman:

I would like to thank the Committee for giving me the opportunity to testify on the unemployment compensation system in general and the need to reauthorize the Federal Supplemental Compensation program in particular. I would also like to thank you, Mr. Chairman, for your assistance in the past years in dealing with the plight of the unemployed.

This Committee should reauthorize the Federal Supplemental Compensation program keeping the maximum 14 weeks of basic benefits provided for in the current program. This is certainly a necessary step in dealing with the still very real and severe effects of the recession. But the unemployed in this country who live in states where joblessness is still extremely high would certainly have every reason to expect the Congress to do more than reauthorize the current FSC program. And the members of this Congress would have no reason to be satisfied that they have dealt either logically or compassionately with the unemployment compensation issue if we simply reauthorize the FSC program. At the same time this Committee reauthorizes the FSC program, it should take steps to make the 13 week Extended Benefit program into more than the hollow shell of assistance that it has become. I would ask that the Committee consider modifying the current Extended Benefit program along the lines of legislation S. 1589, which I have introduced along with a bi-partisan group of co-sponsors. This bill, which I brought to the Committee's attention at

hearings on August 1, would incorporate the actual or Total Unemployment Rate (TUR) into the determination of which states are eligible for Extended Benefits.

The modification of the Extended Benefit program, along with the reauthorization of the FSC program, are both essential steps because beneath today's newspaper headlines still lies one stark fact that this Committee must confront today: The beginning of the economic recovery has not meant the end of the need to assist the massive numbers who continue to be victims of the recession. The nationwide unemployment rate has dropped from a horrendous 10.8%. But it is likely to remain in the only slightly less horrendous 9½% range for months to come. The current two month pause in the decline in the unemployment rate at 9.5% demonstrates how haltingly slow further reductions may come.

My own state of Michigan which has now endured 44 consecutive months of double digit unemployment still has an unemployment rate of over 14%, and, in fact, that rate increased by over one percentage point in August. Furthermore, Michigan is projected to have an unemployment rate a year from now which would still be more than two percentage points above the 10.8% rate which was the peak of national unemployment in the recession. The people of Michigan must not be asked to endure, without federal assistance, levels of unemployment higher than those which, when reached on a nationwide basis, brought forth a bi-partisan response and relief.

Unfortunately, the federal unemployment compensation system in the form of the

13 week Extended Benefit program and the 8 to 14 week Federal Supplemental Compensation program have proven pitifully inadequate over recent months in providing reasonable assistance to the unemployed in the hardest hit states. There are NOW only two states eligible for the Extended Benefit program. Think of that -- despite near record unemployment, only two states receive Extended Benefits. In 1975 when unemployment was in the 8% range we provided 65 weeks of unemployment benefits. In 1983 when unemployment is over 9%, most states are eligible for 36 weeks or less of unemployment benefits. I am here before the Committee to say that this current situation just does not make any sense. Pennsylvania with 11.5%, Illinois with 11.7% and Ohio with 11.1%, along with my own home state of Michigan with 14.3% unemployment are NOT now among the states eligible for Extended Benefits.

Not only is this situation outrageous, but it flys in the face of the original intent of the Extended Benefit program. On August 7, 1970, when Senator Long was the floor manager of the legislation which established the Extended Benefit program, he stated, "The committee bill, like the House bill, would establish a new permanent program to pay extended benefits during periods of high unemployment to workers who exhaust their basic entitlement." These facts also fly in the face of a statement by the Office of Management and Budget in April of 1981, in which it described its proposed changes to the Extended Benefit program. In the words of the OMB document,

"The proposed shift to State triggers at modestly higher threshold levels will redirect benefits to areas where they are needed." Who, I ask, would exclude from any definition of need, a state which has an unemployment rate of over 11 percent?

In my own state of Michigan, the unemployment rate in May was 14.9% and Michigan was eligible for 53 weeks of unemployment benefits through a combination of state and federal programs. By August, unemployment had dropped only by about half a percentage point, but the maximum number of weeks of eligibility for unemployment benefits had dropped to 36 weeks. In other words, there was a 17 week drop in the number of weeks of unemployment compensation available in response to only a very modest decline in Michigan's unemployment rate.

This drop off in the number of weeks of benefits resulted from Michigan's triggering off in June from the 13 week Extended Benefit program and the loss of 4 weeks of Federal Supplemental Compensation. The decline in benefits was mandated by a decline in Michigan's Insured Unemployment Rate (IUR). The IUR looks to the number of people who are out of work and receiving state unemployment benefits. There is much speculation as to why states with continuingly high actual or Total Unemployment Rates (TUR) have experienced such precipitious declines in their IURs. The TUR looks to people out of work and still looking for jobs.

Some explanations focus on the actions taken at the urging of the Administration in 1981. But whatever the cause, what is clear is the effect, AND what is also clear is what the Congress must do about it.

In the words of a study conducted on behalf of the U.S. Department of Labor with respect to the divergence between the IUR and the TUR, "the Insured Unemployment Rate should be temporarily retired as a serious measure of labor market conditions." Senators Byrd, Heinz, Specter, Riegle and myself, along with several members of the Task Force on Emergency Human Needs of which I am the chairman, are supporting various pieces of legislation which rely on the TUR to one degree or another as a way of dealing with the current glaring inadequacies of the Insured Unemployment Rate. S. 1589, which I have introduced, utilizes the TUR as an additional measure while not disturbing the very imperfect IUR as it now stands. This legislation would not repeal any of the 1981 Reconcilation bill changes. Rather, it would provide an alternate mechanism for a state to qualify for Extended Benefits.

The new trigger level to qualify for Extended Benefits would under this bill be a Total Unemployment Rate of 11%. In the states for which the Bureau of Labor Statistics compiles seasonally adjusted data for the TUR on a month-by-month basis, the 11% trigger would be determined by looking to the most recently available TUR data in those states. This provision would cover the 10 most populous states in the nation for which the

statistical sample is large enough to make the TUR an accurate measure of the labor market conditions in a state on a month-by-month basis. In the remaining states and jurisdictions, the 11% trigger would be determined by looking to the twelve month rolling average of the TUR for those areas, and by looking to the most recently available one month data. This two pronged test is an attempt to make the measure timely and to increase the sample size as well. It may also be possible to fine-tune the TUR for these states even more to further improve its accuracy.

Once calculated, the TUR could be used as an alternative to the Insured Unemployment Rate for determining a state's eligibility for 13 weeks of Extended Benefits. It could also be used in determining the number of weeks of Federal Supplemental Compensation which a state can receive. The Insured Unemployment Rate would NOT be repealed, but the Total Unemployment Rate could act as a true safety net to ensure that states with very high unemployment are not ignored by this nation's unemployment compensation system.

Finally, I would ask that the Committee use the need to reauthorize the FSC program as an opportunity for considering a broader, longer term reform of the system. In this regard, I would suggest that the Committee review legislation introduced by Senators Byrd and Heinz and of which I am a co-sponsor. This legislation attempts to simplify the current multi-tiered system, to focus benefits

toward those states most in need, and to assist the hardest hit states in funding the program. My concern is that if consideration of fundamental reform of the unemployment compensation system is put off until later, then there will not be a chance for its serious consideration until the country is well into some future recession and it is too late to help its earliest victims.

Again, Mr. Chairman, I would like to thank you for scheduling these hearings and giving me the opportunity to testify. I urge the Committee to go beyond reauthorizing the Federal Supplemental Compensation program and to make the changes necessary to transform the Extended Benefit program into a real program providing real assistance to the unemployed in those states in which unemployment is still very much of a real problem.

The CHAIRMAN. Thank you, Senator Levin. What is your position on the 18-month FSC extension? Do you think there is some merit in having a lengthy extension? Of course, I assume the administration wants to get through the election without facing unemployment battles every 6 months, but I do believe that we create a lot of uncertainty as far as unemployed workers are concerned, Governors, and others, who must administer the program by playing with it every 6 months in the Congress. Do you have any views on whether the extension ought to be sort of piecemeal, or should we have a fairly lengthy extension?

Senator LEVIN. Mr. Chairman, we obviously have to consider the present system as at least a minimum, but that obviously is not enough. It is a very inequitable system. States with high unemployment get less benefits than States with lower unemployment. That is a bottom line hard fact. We have States that are getting more unemployment compensation that have lower unemployment than other States. It is wrong and we can correct it very simply, very modestly, and in a very targeted way.

We need a comprehensive reform such as the Byrd bill, the Byrd-Heinz bill. Whether we call it Byrd-Heinz or Heinz-Byrd, it is the same bill, a critical bill. It is a comprehensive bill. Part of that bill is a bill which we earlier introduced, S. 1589. It is a transition in the Byrd-Heinz bill, but S. 1589 would not replace the IUR. It does not say, ditch the IUR, which we should in a long-range bill. It simply says, add another mechanism of qualifying.

And so, yes, we have to make sure we continue what we now have. We should not reduce it, as the administration is proposing. That is unthinkable. But it also would be unthinkable to continue the present system, to simply continue, when that system means that States with higher unemployment receive less benefits than some States that have low unemployment. We can correct it on a bipartisan basis in a bill which we have introduced, S. 1589, which is, again, part of the more comprehensive bill as well which Senator Byrd and Senator Heinz have introduced.

So, the answer to your question is yes, but that is not enough. We have suffered under this present system.

The CHAIRMAN. What did you indicate the cost was of S. 1589?

Senator LEVIN. The cost of S. 1589 is $400 to $500 million more than just continuing the present system. I emphasize the incremental cost of S. 1589. For instance, if continuing the present system costs $3 billion, and I do not have that figure in my head, this would be $3.4 billion, $3.4 billion.

The CHAIRMAN. The administration proposal, as I understand it, would be approximately $3.3 billion.

Senator LEVIN. Well, I do not have the cost of the administration proposal. What I have is continuing the cost of the present system, where we have an 8- to 14-week FSB. My bill, this bipartisan bill that I am referring to, S. 1589, would cost $400 to $500 million more than just continuing the present system. And given the inequities of this system, they are unconscionable. People in my State and in other States with high unemployment are receiving less unemployment benefits than folks in States with lower unemployment. I am not trying to take away anything from those folks. They have plenty of high unemployment, too. Do not misunder-

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stand me. But we have to have another mechanism which looks at TUR, which looks at the actual unemployment rate.

The Byrd-Heinz bill in a comprehensive way does that. But as Senator Byrd testified here this morning, we have to use the TUR even in a transitional way, and that is what S. 1589 does. Again, I think, given the cost of this whole thing, to introduce a little bit of fairness in it and reality in it by looking at the TUR on this interim basis, it seems to me, is well worth the price. If you are looking at a $3 to $4 billion system, if you can introduce some fairness of $300 to $400 million or $400 to $500 million, it would seem to me that you should do it. Equity requires that we do it. It is targeted, and it is modest, and I think those are two important standards that I know this committee frequently uses.

The CHAIRMAN. We have worked together on some problems that particularly affect Michigan for the past couple of years, because of the massive debt Michigan has to the Federal Treasury from borrowing to pay unemployment benefits. We have provided a stretchout on loan repayments and a reduction of the interest rate which is paid on the loans. You have been instrumental in that. I wonder, if we do enact some of the proposals which have been made to trigger the EB program on more readily in the States, what would be the impact on Michigan's solvency efforts, since one-half of EB is paid by the State UC trust fund? Will that make any difference?

Senator LEVIN. You have assumed, and I am confident and believe, if my memory is correct, that we would continue on EB.

The CHAIRMAN. So it will not have any impact?

Senator LEVIN. It obviously would have an impact, but it would not have an impact more than we assumed in our budget.

By the way, let me do what I want to do when you are present, and that is to thank you and Senator Heinz for what you have done in this area, both of you. And I will individualize. You, sir, because you are chairman, particularly have been helpful in a number of unemployment issues for States that have been hard hit, even though your State is not one of those that might first be benefitted by any change. You have been sensitive to those States which have this need, and the people of my State are aware of that. We are grateful to you. You have just identified in the introduction to your question a number of the areas where you have been particularly helpful, and I want to thank you on behalf of the people of Michigan.

The answer to your question is, it would not have any harmful effect. It was not assumed in our calculations. When we increased taxes to repay that debt, we assumed that we would continue on the extended benefit program.

The CHAIRMAN. I indicated earlier, and I will soon yield to Senator Heinz, that there may be coming over from the House maybe next week a 45-day extension—at least I picked that up indirectly—so that we might have some time to try to hammer out some of these areas that have been suggested. Certainly not the comprehensive bill. That would take much more time. But maybe some of the suggestions made can be worked out costwise while still being sensitive to the human needs. So I am not certain what will develop on the House side. We could go ahead and pass a longer exten-

sion, but we are not going to let September 30 come and go without some action. I guess that is the point I want to make.

Senator LEVIN. The bill from the House, I believe, contains what our bills contain, and that is for the first time some recognition of the reality of a total unemployment rate and the unreality of continuing the IUR, the insured unemployment rate. One is a real world, and one is an unreal world. Again, the Department of Labor's own consultant said that we should lay it aside. I know we have to act before September 30, but there is a targeted, modest way of moving to a real world, a world which the unemployed people face in our States which have high real unemployment.

IUR is not the measure which means things to folks. I think probably every member of this committee would agree that it does not carry out its intended purpose, which is to reflect the reality of the work place. When it no longer does that, we ought to set it aside. Senate bill 1589 and the Byrd-Heinz bill, which is Senate bill 1784, do that, and I believe to some degree the Ways and Means Committee action, the subcommittee action yesterday do that, although I am not familiar with the details.

The CHAIRMAN. We are in the process of analyzing what happened there. I am not certain myself.

Senator Heinz.

Senator HEINZ. Mr. Chairman, thank you. I think you have covered much with Senator Levin. I think he and I find ourselves on the same plane. I want to commend him for his testimony. The one thing I want to observe is that Senator Levin has been coming before the Finance Committee with some regularity on this subject, and it is not that we are tired of seeing him at all. He makes a major contribution every time he comes.

But I think the fact that he has had to come here so many times over the last 2 years is indicative of the wear and tear not just on the people out there but on many of us in trying to patch this system back together every 3, 5, or 6 months in the hope that our truly needy constituents and unemployed of our own States will not fall through the cracks for any extended length of time.

There is a study, as we all know, on the quality of life in the Senate. I do not know that it enhances the quality of work of the Senate, our legislative product, for us to initiate repairs on something that is broken, only to find a few months later we have to come back and fix it up all over again. It is wear and tear not only on us, but as I think I made clear earlier, it is far more wear and tear on the people who are out there suffering from unemployment.

Senator LEVIN. I could not agree with you more. I think a major reform which would be significant and not just a patch would be to move to TUR as an alternative, without ditching the IUR. I would consider that to be a significant reform, and one that would really hold us in good stead while we are perhaps taking whatever time it takes to do the comprehensive work. I just do not think that we ought to let this present system stay the way it is, using IUR, while we are looking at that comprehensive system.

The CHAIRMAN. I thank you very much, Senator.

There is one area that must be a factor, and that is the cost, and again, you are aware of that. I am reminded this morning that my

own Governor was in town last week, saying deficits are too high, but I am not surprised. The national Governors want more Federal spending while they complain about the deficits. It is an age-old problem. We will work on it. Thank you.

Senator LEVIN. That is why I emphasize what I consider to be the modest cost of this approach, this transitional approach which it utilized in one bill. The bill itself has a relatively modest cost. Now, $400 to $500 million in and of itself is not a modest cost. It is a lot of money, given the cost of our unemployment compensation system.

The CHAIRMAN. Would that be an 18-month cost, or yearly?

Senator LEVIN. That would be a yearly cost, but to continue the present system, which is a $3 to $4 billion system, what I am saying is, to add an element of equity and make a major reform by introducing the actual unemployment rate, if you can do that for $400 to $500 million, it seems to me it is a very, very modest cost indeed, given what you get out of it.

Thank you again.

The CHAIRMAN. Thank you.

[Pause.]

The CHAIRMAN. Bert, we are happy to have you before the committee again. We are sorry you had to wait such a long time, but the hearings were originally scheduled for 2, so we are just about on time.

STATEMENT OF BERT SEIDMAN, DIRECTOR, DEPARTMENT OF OCCUPATIONAL SAFETY, HEALTH, AND SOCIAL SECURITY, AMERICAN FEDERATION OF LABOR & CONGRESS OF INDUSTRIAL ORGANIZATIONS, ACCOMPANIED BY ARLEEN GILLIAM, ASSISTANT DIRECTOR, DEPARTMENT OF OCCUPATIONAL SAFETY, HEALTH, AND SOCIAL SECURITY, AFL-CIO

Mr. SEIDMAN. Thank you very much, Mr. Chairman. I am Bert Seidman, director of occupational safety, health, and social security of the AFL-CIO, and with me is Arleen Gilliam, an assistant director of that department.

I have a statement, and I request that it be included in the record of the hearing.

The CHAIRMAN. It will be made a part of the record, and I have read your statement. It is very good.

Mr. SEIDMAN. Thank you very much. I will just make a few points without any embellishment to summarize that statement as well as the current situation.

The first is that we think it is absolutely essential that benefits be available to the long-term jobless, and far more than the current one-third of the long-term jobless who are now receiving benefits.

Second, as other witnesses have said this morning, there must be no hiatus, and I think we all agree on that.

Third, we do not want to see the cutback in the duration of FSC that the administration is asking for as its pound of flesh for getting the 18-month extension. That would mean that even fewer than one-third of the jobless would be getting unemployment insurance benefits. We think that it is absolutely essential that there be a reachback provision so that we do not leave people high and dry,

so that people who have recently exhausted benefits but are still jobless with no prospect of jobs are covered once again.

We would like to see an 18-month extension. We would not like to see it at the price of an absolutely inadequate program, but we do see the advantages of having a program extended as long as possible. On the other hand, we do not think that should be a reason for not looking at a fundamental reform of the long-term compensation system, as has been suggested by Senators Byrd, Heinz, and others.

We think that whatever is done now, there should be more weeks of compensation available to the long-term jobless and not fewer, that it is essential no longer to rely exclusively on the IUR, and that the triggering should not relate to previous periods of unemployment. We think that is irrelevant to the current need.

If all of those things were done, then we think that there would be at least some degree of security for the long-term jobless. We are encouraged by the fact that the House subcommittee has taken account of many of these problems in the decisions that it made yesterday, but we do not think those go far enough.

We ask that once this is done, and the progam is extended for whatever period of time, that you do not forget the problems. I know that you will not. In the AFL–CIO we have urged for years that there be a permanent program providing a maximum benefit period of at least 65 weeks in all phases of the business cycle. What encourages us in the Byrd-Heinz bill, S. 1784, particularly, is that it does set up a permanent program, and at least partially corrects the defects in the existing EB and FSC programs.

There is just one other feature of it that I would commend to you for whatever you do now, not just waiting for the permanent action, and that is it has a much more realistic work search requirement for workers who are unemployed in areas where there are simply no job opportunities. We urge you to include such a provision in any action that you take at the present time.

[The prepared statement of Mr. Seidman follows:]

STATEMENT OF BERT SEIDMAN
DIRECTOR, DEPARTMENT OF OCCUPATIONAL SAFETY, HEALTH AND SOCIAL SECURITY
AMERICEN FEDERATION OF LABOR AND CONGRESS OF INDUSTRIAL ORGANIZATIONS
BEFORE THE SENATE COMMITTEE ON FINANCE ON S. 1784

September 16, 1983

We appreciate the opportunity to present to this Committee the views of the AFL-CIO on S. 1784, which would establish a new program of unemployment compensation benefits to replace the existing programs of extended and federal supplemental benefits.

As the result of the economic policies of the Reagan Administration, the number of workers without jobs continues to be at disastrous levels and millions of jobs have been eliminated. The search for a job for many, if not most jobless workers is a fruitless effort. For August, the Bureau of Labor Statistics reported that 10.7 million workers were without jobs with 9.5 percent of the labor force officially counted as unemployed. An additional 7.5 million workers were either too discouraged to search for work or had accepted part-time employment because they were unable to find full-time jobs. Thus, at a minimum, 18.2 million American workers and their families are experiencing severe hardship and economic deprivation.

Thirty-seven percent of jobless workers have been unemployed for 15 weeks or longer. Of these, 2.5 million workers had been without work for more than six months. The average duration of unemployment has jumped from 13 weeks in January 1982 to 20 weeks in August 1983.

The protections of an adequate and equitable unemployment insurance system are essential for jobless workers and their families. Yet, of the 10.7 million workers officially counted as unemployed, two out of three are not receiving unemployment compensation benefits. During the 1974-1976 recession, two-thirds of jobless workers were receiving unemployment compensation benefits. Over five million workers exhausted their regular benefits and extended benefits in 1982 and another three million have exhausted these benefits since January 1983. Even the Administration's economic forecasts project unemployment levels of 9 percent or more for the remainder of this year and far into 1984.

Workers who lose their jobs face a long and painful spell of unemployment and the prospect of losing their unemployment benefits long before they find employment.

The AFL-CIO has long advocated the establishment of a permanent supplemental benefit program which would provide benefits for the long-term unemployed for at least 65 weeks in all phases of the business cycle. At least 26 weeks of federal supplemental benefits, funded from general revenues, should be provided without regard to state trigger levels. These benefits would be in addition to the current 39 weeks maximum provided under the regular and extended benefits programs. Long-term jobless workers would be eligible for extended benefits regardless of unemployment levels. If triggers must be used, total unemployment, without regard to the level of unemployment at some prior time, should be the trigger.

As a result of the harsh restrictions imposed by the Reagan Administration and Congress in 1981 on the extended benefits program, which already had serious defects, the program has been virtually eliminated and millions of jobless workers have been deprived of these benefits despite catastrophic levels of unemployment. The national trigger was eliminated, extended benefit recipients were eliminated from the calculation of national and state trigger formulas and a one percent increase in state trigger levels was required.

Prior to elimination of the national trigger, up to 13 additional weeks of benefits were paid to workers, regardless of where they happened to live, who exhausted their regular benefits when the national insured unemployment rate (IUR) reached 4.5 percent. Before the increase in state trigger levels became effective, workers who exhausted their regular benefits were entitled to extended benefits if the state IUR was at least 4 percent and 120 percent of the state level for the preceding two years. The 120 percent requirement could be waived if the state IUR was at least 5 percent. Now, the triggers, which exclude recipients of extended and federal supplemental benefits, are 5 percent with the 120 percent requirement or 6 percent without regard to prior years. As the result of these restrictions on what were already defective trigger formulas, extended benefits are available in only

Louisiana, West Virginia and Puerto Rico and only 51,000 long-term jobless workers are receiving extended benefits.

Exclusion of extended benefit recipients from the calculation of the IUR has resulted in states triggering "on" extended benefit periods later and "off" earlier. As the proportion of long-term jobless workers grows, thus increasing the number of benefit reipients not counted, the IUR declines while total unemployment remains very high.

While the national total unemployment rate (TUR) is 9.5 percent, the national IUR is only 3.8 percent, a gap of almost 6 percent. For some states, the gap between official unemployment and insured unemployment is even greater than the national average. In Michigan, for example, the differential is over 10 percent and in Ohio, over 7 percent. Only West Virginia and Puerto Rico have an IUR of 6 percent. The alternative for continuance of extended benefits is to have an IUR of 5 percent, which also must be 20 percent greater than that of two years ago. Large industrial states with high levels of unemployment in the last two years have been unable to meet this requirement despite continued very high levels of unemployment. As a result, extended benefits are no longer available in such high unemployment states as Alabama, Illinois, Michigan, Ohio and Pennsylvania, with total unemployment ranging from 11.1 to 14.3 percent. Twenty-four states have triggered "off" since April 23, 1983. Once a state triggers "off," extended benefits are suspended for 13 weeks, regardless of unemployment levels. If extended benefit recipients were included in the trigger calculation and the 120 percent requirement were eliminated, at least 18 additional states, including such large industrial states as Illinois, Michigan and Ohio, would be paying extended benefits.

The temporary program of Federal Supplemental Compensation (FSC) which became effective September 12, 1982 has provided some income protection for hundreds of thousands of long-term jobless workers. Unemployed workers who have exhausted either regular or extended benefits are eligible for 8, 10, 12 or 14 weeks of FSC, depending on the state from which they are receiving benefits. Up to 10 additional weeks of benefits were

provided for unemployed workers who had exhausted FSC prior to April 1, 1983. Thus, it was possible for workers in some states to receive 65 weeks of benefits. The maximum duration of benefits for unemployed workers who began receiving FSC after April 1, 1983 is 53 weeks if both extended benefits and 14 weeks of FSC are available in their states. However, since so few states are in an extended benefit period and the duration of FSC is also based on state IURs, very few unemployed workers receive the maximum duration of benefits.

Fourteen weeks of FSC are available only in West Virginia, which has an IUR of 6 percent. As a result of the decline in state IURs in states with disastrous levels of unemployment, only 10 weeks of FSC are avilable in Alabama, Michigan and Ohio, where 14 weeks of FSC had been available in April 1983. The maximum duration of benefits in the 27 states where only eight weeks of FSC are available is only 34 weeks.

The income protection provided by the program of Federal Supplemental Compensation is inequitable in that unemployed workers are receiving benefits of varying duration, depending upon where they happen to work or live. A federal program of unemployment compensation benefits, financed from general revenues, must protect unemployed workers equally. This objective cannot be accomplished by relating benefit duration to state insured unemployment rates. It is clear that insured unemployment rates are no measure of total unemployment and are defective measures of the need for extended and federal supplemental benefits. With the gap between total unemployment and insured unemployment continuing to widen, more and more long-term jobless workers are being deprived of benefits.

While establishment of the program of federal supplemental benefits was a much needed step in the right direction, additional steps must be taken immediately to prevent millions of long-term jobless workers and their families from being deprived of all income. As high rates of unemployment continue for the long-term jobless, more and more workers need the income protection of extended and federal supplemental benefits.

We, therefore, are encouraged by the introduction of S. 1784, introduced by Senator Byrd and co-sponsored by other distinguished members of this Committee, which if enacted, would remedy some of the deficiencies in these programs. S. 1784 would establish a new program to replace the existing programs of extended benefits and Federal Supplemental Compensation. A tiered system would be established, with the duration of benefits ranging from zero to 30 weeks, depending upon the level of unemployment in a state. An additional five weeks of benefits would be added to each tier when total national unemployment reached 10 percent or more. Thus, it would be possible for long-term jobless workers to receive 61 weeks of benefits. While we would prefer a maximum benefit duration of 65 weeks, the maximum weeks of benefits provided under this program come close to meeting this goal. However, the 61 weeks maximum would be available to long-term jobless workers only in those states with total unemployment rates of 12 percent or insured unemployment rates of 7 percent at the same time that national total unemployment equals or exceeds 10 percent.

S. 1784 requires that total unemployment be the "trigger" for the benefits if the duration of benefits would be greater than would be available using insured unemployment. This provision is a much needed step in the right direction, but the required levels of unemployment are too high. We suggest, therefore, that the levels of total unemployment required for each tier of benefits be lowered by at least one percent. When insured unemployment rates are used, the percentage of the prior years' insured unemployment for each tier of benefits should be eliminated and recipients of unemployment compensation benefits under all programs should be included in the calculation of insured unemployment. These suggested changes will help to assure that the income protection provided by this program meets the objectives of fairness and adequacy.

The AFL-CIO supports the provision that would allow states to modify the work search requirements now imposed on recipients of extended and federal supplemental benefits. Under the proposed legislation, states could waive this requirement when labor market

conditions are so depressed that an active search for work would be fruitless. Unemployed workers want jobs, but it makes no sense to force them to search for nonexistent jobs in order to retain their eligibility for unemployment compensation benefits.

The costs of this program would be shared by states and the federal government. The federal share would range from 50 percent to 80 percent, depending upon state unemployment levels, and when total national unemployment reached 10 percent, the additional five weeks of benefits that would be provided would be financed from federal general revenues. We believe that this is an equitable approach which would reduce the financial burden of states in which unemployment is high and of long duration, and thus enable states to improve rather than cut back benefits for unemployed workers.

In conclusion, S. 1784 would provide much needed income protection for long-term jobless workers and, on balance, is a better approach than simple extension of the FSC program. Jobless workers in such high unemployment states as Alabama, Michigan and Pennsylvania would now be receiving 51 to 56 weeks of benefits instead of the 34 to 38 weeks available to them under the present program.

The AFL-CIO is convinced that the most equitable approach to providing needed income protection for long-term jobless workers is the establishment of a permanent program, funded from general revenues, that would provide benefits for the long-term unemployed for at least 65 weeks in all phases of the business cycle. If this goal cannot be achieved, the AFL-CIO urges your favorable consideration of S. 1734, along with our suggestions for improvement. An adequate and effective unemployment insurance program is needed today more than ever before. With incorporation of our suggested improvements, S. 1784 would strengthen the program so that unemployment insurance would be a more effective bulwark against deprivation and suffering for all jobless workers and their families.

The CHAIRMAN. I think there is no provision like that in the Byrd proposal, no work search provision.

Mr. SEIDMAN. No; there is a work search provision, but all it says is that the requirement could be waived when the labor market situation is absolutely hopeless. We think that makes sense. Otherwise, it is a burden not just to workers to look for jobs that do not exist, but to the employers whom they importune for jobs that are not there.

The CHAIRMAN. We have had the same question raised in the foods stamp area. In Detroit there are not many jobs, and a lot of people are out of work. But we will look at those suggestions. The 18-month extension would be satisfactory to the AFL-CIO. Is that correct?

Mr. SEIDMAN. Well, we would like to see a permanent program. We think there is some security in having an extension of a year or 18 months. So if you do not do anything in terms of establishing a permanent program, as would be provided for, for example, in the Byrd-Heinz proposal, then at least we will have a program in place and you will not have to go back again in 6 months.

The CHAIRMAN. Well, I think there is some merit to it. As you know better than we know, it becomes a political exercise around here every 6 months. Somebody wants to add something to the program. Those who vote against it are either antilabor or antipeople. We go through this gamesmanship in Congress, I think, too often. We ought to do it now and then just to keep us all alert, but not every other day. We could save a lot of time by looking at the long-range program. If we could find some fairly long-term extension that we could turn our attention to some of the basic changes that probably should be made in the UI program.

Mr. SEIDMAN. Mr. Chairman, we are not in favor of a triggered approach, and we have said so often, but if you have a triggered approach, then it seems to me that a permanent program will not be applicable under all circumstances. It will only be applicable during the periods when it is intended that it should be applicable, and under those circumstances it is hard for me to see why there should be any resistance to a permanent program rather than a program that has to be extended from time to time.

The CHAIRMAN. I appreciate very much your testimony and your willingness to summarize. You have done a good job.

Senator Heinz.

Senator HEINZ. Thank you, Mr. Chairman.

Senator BYRD. Just so that I understand your last answer to the chairman, do you have a strong feeling about the number of weeks for which we should extend the FSB program?

Mr. SEIDMAN. Do you mean, how long the program should be extended?

Senator HEINZ. Yes; 18 months?

Mr. SEIDMAN. Well, we would like to see the program extended for as long as you can. I have also said that whatever period that is, we would like to see consideration of the kinds of proposals that you have made for a long-term permanent program.

Senator HEINZ. And the reason you feel comfortable in recommending a fairly long extension of FSB, and personally, my willingness to extend the length of the FSB program is going to be condi-

tioned on how responsive we can make the FSB program to cases of genuine need——

Mr. SEIDMAN. Oh, I agree. We are not in favor of any tradeoff such as the administration has suggested of cutting the weeks of benefits in order to get 18 months. We would rather have a shorter extension and an adequate program than a permanent program which is completely inadequate or an 18-month extension which is completely inadequate.

Senator HEINZ. I understand that. But my question was really this. You feel that if we are able to design a better mousetrap here through a Byrd-Heinz kind of approach, that there will not be resistance to it ending irrespective of the specific period of time during which the FSB program is extended?

Mr. SEIDMAN. If we can get a really adequate program, we would like to see it put on the books permanently, so that whenever we have large numbers of long-term jobless either in the Nation or the State, they will be covered.

Senator HEINZ. That is what I wanted to be sure you were saying. I wanted that to be clear in my own mind.

Thank you, Mr. Chairman.

The CHAIRMAN. Thank you. I have to leave. Senator Heinz would you please preside?

Senator HEINZ [presiding]. Our next witness, simply by coincidence, happens to be a Pennsylvanian. He is Paul Lodico, staff coordinator for the National Unemployment Network of McKeesport, Pa. Is he here?

[No response.]

Senator HEINZ. This may be an abbreviated hearing. [General laughter.]

Well, the chairman has left. I do see one representative from the Department of Labor present.

Mr. VAN ERDEN. Well, we were on already.

Senator HEINZ. I know, but I was not here at that time. Would you return briefly for just one question? If you feel answering questions is going to get you in trouble, obviously, you can take the usual fifth amendment of most witnesses, which is to answer another question.

I have really one question, and I do apologize if this question was asked of the Secretary or you when he was here. It has to do with the use of the total unemployment rate as a measure in triggering the FSB program. Does the Department have any conceptual problems with some use of the TUR instead of the IUR? I am not talking about exactly what level it should be at, if an 8-percent TUR is the same as a 4-percent IUR, as originally intended by Congress, but just conceptually or philosophically, do you have difficulty with us using either the TUR or, if you will, a dual measurement approach, such as I gather the House did yesterday?

Ms. GOLDING. Yes; we do have a problem using the total unemployment rate.

Senator HEINZ. What is the problem?

Ms. GOLDING. Basically, they count two different things. The total unemployment rate counts something different from the insured unemployment rate. We are talking basically about a trigger that will trigger eligibility of people for a set duration of benefits.

If you trigger it on using the total unemployment rate, you are using a count that counts one set of people to deal with eligibility for a program that will cover a different set of people.

The whole idea behind having the insured unemployment rate is, the trigger is that it is the insured unemployed who will get the benefits under this program.

Senator HEINZ. That is not the way the present program is structured. The present program does not give the insured unemployed any benefit where the insured unemployed is below a certain level.

Ms. GOLDING. That is right, but it does not——

Senator HEINZ. Therefore, that is not the principle on which the existing program is structured. It is true, and I think we would all agree, that to the extent people are to be benefited, that they should be the insured unemployed, but it is not clear to me what the logic is behind your statement.

Ms. GOLDING. Perhaps I did not express myself very clearly, and it is a somwhat complicated issue, but it seems to me that if you are talking about a trigger for a program that is going to cover people who are unemployed and covered by an insurance system that is supported first by employers and in the case of the FSC by the Federal Government, and the only people who are going to be eligible for it fall into the insured unemployed category, that you would not want a trigger that relates to a different population.

Senator HEINZ. Let me suggest to you that there is a principle that I think the administration has accepted here that is a different one from the one you have stated. The number of weeks of benefits varies under current law, the one expiring September 30, with the depth of unemployment as measured by the insured unemployment rate.

Therefore, what we are really saying is, there should be more weeks if unemployment is worse. Now, presumably, the reason we say that is that it is more difficult to find a job when unemployment is higher. Therefore, since it is more difficult to find a job when unemployment is higher, and since that is in many respects almost identical to saying it will take the average person in the work force more time to find a job if unemployment is higher—so far you are with me, I think—the question is, Which is a better measure of the difficulty of finding a job, the total unemployment rate or the insured unemployment rate, which goes down even if total unemployment rate in that State goes up in some cases?

Ms. GOLDING. I am waiting for the question.

Senator HEINZ. The question is, Which is a better, not perfect, but a better indicator of the difficulty of finding a job, the total unemployment rate or the insured unemployment rate?

Ms. GOLDING. There are problems with both, but we believe for purposes of triggering on benefits that the insured unemployment rate is a better measure.

Senator HEINZ. Of what?

Ms. GOLDING. Of the difficulty in finding a job, for some technical reasons as well as the overall philosophical reason that I gave you. One of them, for instance, is the fact that the total unemployment rate is based on a sample. It is subject to considerable estimating error, and it is considerably delayed compared to the way we measure insured unemployment rates. The insured unemployment rate

itself, technically, is a far sounder count because it is a universal count, and we are certain that there is a person behind every unit that is counted in arriving at the insured unemployment rate. And there are a number of other technical issues on which I will defer to Mr. Van Erden.

Senator HEINZ. I understand the technical issues, and I would not claim that from a technical standpoint any measure, including the TUR, is without some imperfections. It is a statistical generalization from a sample, as I understand it, the TUR. It is an extrapolation, is it not?

Mr. VAN ERDEN. For the 10 largest States, the TUR comes directly off the current population survey, so it is a statistical sample. For the other 42 States, though, it is built up through a complex process the beginning point of which is unemployment insurance claims.

Senator HEINZ. Yes. Thank you.

Mr. VAN ERDEN. So there are two different ways to get to a State-level TUR.

Senator HEINZ. To get to the TUR. The problem I have with the IUR is that after 26 weeks, by definition, you may be unemployed, but you are not counted, and you have my State, the unemployment of which really did not decline significantly in the period of June to July, yet the insured unemployment rate dropped significantly in my State, therefore triggered off the benefits. The people who were being counted for all statistical intents and purposes where the IUR is concerned no longer exist. How do we say that that reflects better the difficulties in finding a job if those invisible people, invisible statistically, at least, are out there unemployed and looking for work.

Mr. VAN ERDEN. Senator, I think one of the operative words there is which is a better measure, and I do not think we have any clear evidence that either is a better measure at this point, but I would like to point one other thing out that you are kind of——

Senator HEINZ. I can tell you which is better for my State.

Mr. VAN ERDEN. Yes. Let me come back to that point, though. When you compare the two rates, and you are talking about your State rate, total unemployment rate, and the IUR, one of those rates is seasonally adjusted while the other is not. So part of the difference that you are perceiving in those is the fact that one is seasonally adjusted and the other is not. Let me give you an example on that. In the national rate between July and August, as you well know, it was 9.5 in July, it was 9.5 in August, seasonally adjusted. The unadjusted rate, which is more comparable to the IUR, fell over a full point.

So, if we were sitting here today talking about the national unemployment rate and somebody said, gee, it just fell a point and a half, the perception would be, I think, slightly different. You are saying, gee, the IUR fell, the TUR fell. So, what happens when you compare a seasonally adjusted rate with an unadjusted rate is, you get this difference, especially at this time of year, and that, I think, leads to the kind of problems we are seeing between the two rates.

Senator HEINZ. Let us assume for the sake of argument, and I do not happen to agree, but let us assume for the sake of argument that your logic about the insured unemployment rate being a

better measure for technical reasons is on balance the best argument and therefore the best measure. Would it not be a logical extension of that argument that what we should do is not count the number of insured unemployed who are getting basic benefits, but that we should count the number of insured unemployed who are also getting extended and FSC benefits as well. They clearly are real people. They are clearly getting a benefit. They are clearly subject to all the requirements that one must be subject to to qualify in the first place and on a continuing basis—that means work search—for their unemployment benefits. Why should we not count all the people who are receiving benefits, not just the ones that receive, if you will, the first tier of benefits if we are to be consistent with your position?

Ms. GOLDING. I do not think it would be logical extension to say that the—it would mean basically that you are calculating the trigger to turn off on a different basis from which you calculate the trigger to turn a State on. When a State triggers on using the IUR, as in current law, the people who exhaust regular benefits are included, and the trigger goes off on that same basis. If we went to the mode that you are talking about by including extended benefits beneficiaries and FSC claimants, we would have inflated the count by perhaps as much as 18 to 20 percent, and you would be triggering off on a very different basis.

At some points in time, one could argue that that could work to the benefit of a State, but under current law, it would also work to the disadvantage of the claimants in that State in that should the economy of that State deteriorate within a reasonably close period of time, say, 2 years, it would be much harder for that State to trigger on under current law.

Senator HEINZ. But the logic is perhaps that if you agree that that is logical, that we need something beyond counting people on basic benefits, because they are arbitrarily not counted after the period of their basic benefits.

Ms. GOLDING. I think what I would say instead is that we would want the triggers to go on and off on a consistent basis, and that we would want the count to be statistically sound, and that we would want it to maintain the tie to covered employment, in other words, continue to support the insurance——

Senator HEINZ. Have you got a proposal that would be consistent at least with your technical criteria but which would be a better measure than what I think we both understand is a relatively flawed measure, namely, the IUR?

Ms. GOLDING. I would agree that we have not yet found a perfect measure, and that the IUR is not perfect.

Senator HEINZ. Would you agree that you might have until no later than September 30 to find such a measure unless you wanted Congress to decide without the benefit of your considerable skills and wisdom?

Ms. GOLDING. I would say that based on what we have seen and the proposals we have seen on the table, none of them is a better, a more perfect measure than the one we have.

Senator HEINZ. Listen. Let me tell you, you are the experts. You have got all kinds of professional civil servants somewhere down in

the Department of Labor. Some of them are here. You outnumber us 10 to 1.

Ms. GOLDING. I do not think 10 to 1, sir.

Senator HEINZ. In terms of the ability to concentrate on a specific problem, there are people there who outnumber us 1,000 to 1. There are people there no doubt who have been in the Department of Labor at some level since the whole idea of unemployment compensation was enacted in the very first place. There are people who dream of nothing else, except maybe staying off the system.

My request is that you provide us on the committee, if you feel you can do it, and I hope you feel you can do it, because I really think the committee will take some steps to remedy this problem on its own if you do not give us your best thinking, and I would just urge you to come forward with something that does a better job than the IUR. Can you do that?

Ms. GOLDING. As I said, we have yet to find a better measure, but we will, of course, we are glad to have our staffs work with this one.

Senator HEINZ. Any time between now and markup.

Ms. GOLDING. Wednesday?

Senator HEINZ. All right. Thank you both very much.

I assume that our last witness, Mr. Lodico, is not present. Is that correct? He is not present. The hearing is adjourned.

[Whereupon, at 2:20 p.m., the committee was adjourned, to reconvene upon the call of the Chair.]

[By direction of the chairman, the following communications were made a part of the hearing record:]

26-764 O—84——7

CHAMBER OF COMMERCE
OF THE
UNITED STATES OF AMERICA

HILTON DAVIS
VICE PRESIDENT
LEGISLATIVE AND POLITICAL AFFAIRS

1615 H STREET N.W.
WASHINGTON, D.C. 20062
202/463-5600

September 16, 1983

The Honorable Robert Dole
Chairman
Committee on Finance
United States Senate
Washington, D.C. 20510

Dear Mr. Chairman:

In enclosing the U.S. Chamber's statement to the Senate Finance Committee on the temporary Federal Supplemental Compensation (FSC) program, I reiterate our continuing opposition to changes in the permanent, employer-financed Federal-State Extended Benefits (EB) program, as well as legislation such as S. 1784 that would create a permanent 61-week unemployment compensation (UC) program.

We agree with the sponsors of S. 1784 that FSC, if reauthorized for a limited time, could be vastly simplified, but we strongly object to a permanent 61-week program and to proposals shifting the cost of long-term and structural unemployment to the deficit-ridden Unemployment Trust Fund. The states have recently taken extraordinary steps to improve the solvency of their UC trust accounts, and the added costs of changes in EB would force them into further benefit cutbacks, tax increases, and loans from the federal Treasury.

Triggering EB at lower unemployment rates would do nothing to aid the long-term unemployed, who already have received the extension, and is unnecessary for individuals currently receiving regular UC benefits because of the dramatic decline in new claims. Ironically, a major consequence would be a slow down in expansion of employment resulting from the raised payroll taxes needed to finance the extra benefits.

Furthermore, it would be inadvisable to substitute a trigger based on the total unemployment rate (TUR) rather than the insured unemployment rate (IUR) presently used. The majority of individuals counted in TUR estimates are not eligible for UC, and the calculation is not a statistically reliable measure of state unemployment because it is computed on a small national sample.

While admittedly imperfect, the IUR is an actual count of valid UC claims. In fact, it overstates the true unemployment rate because it is the ratio of job losers to individuals currently working rather than to the total labor force (workers plus UC claimants). For example, if 59 workers out of 1,000 were unemployed, the IUR would not be 59/1,000 or 5.9%, but 59/941 or 6.3% -- enough to trigger "on" EB without meeting the 20% increase requirement.

Finally, changes in EB will not be effective because there is insufficient time for the states to change their UC laws as required by federal law. At present 42 state legislatures are in recess.

In closing, I appreciate your considering our views and including this letter and accompanying statement in the hearing record.

Cordially,

Hilton Davis

Hilton Davis

cc: Committee members
Rod D'Arment
Sydney Olson
Joe Humphreys

Cleveland Council of Unemployed Workers
c/o Clark-Fulton Community Center • 3619 Walton • Cleveland, Ohio 44113 • 216-281-4212

TESTIMONY

Presented To

Subcommittee on Public Assistance

and Unemployment Compensation

Committee on Ways and Means

U.S. House of Representatives

1100 Longworth House Office Building

Washington, D.C. 20515

Presented by:

Evelyne Mills
Financial Secretary
Cleveland Council of Unemployed Workers
3601 Whitman Avenue
Cleveland, Ohio 44113
216-281-7835

September 13, 1983

~~Mr. Chairman, Members of the Subcommittee, and Distinguished Gu~~

The burden of the reckless, publicly unaccountable, ~~greedy~~ decisions by the corporate interests must not be shoved on the shoulders of America's unemployed working people.

The burden caused by plant closings, technology, long work weeks, and investments by so-called American companies in low-wage foreign countries must not be shoved on the shoulders of America's unemployed working people.

The Cleveland Council of Unemployed Workers is here today to say to this Committee and to the Government of the United States of America that the unemployed of Cuyahoga County cannot find jobs, cannot support our families, cannot pay taxes, cannot buy cars, homes, or clothes, cannot contribute our vast potential of skills and energy to our community.

What are you going to do about this human, economic, moral, and community disaster?

According to the Bureau of National Affairs, more than 1.2 million American workers lost their jobs as the result of nearly 2,700 plant shutdowns, last year alone. Ohio, Michigan, and Indiana encompassed the most severly affected region.

Warner & Swasey Co., where I worked for nearly ten years, reduced its factory help by 550 out of over 800 workers and cut office help from 900 to approximately 125. Warner & Swasey was purchased by the huge multi-national corporations of Bendix and Allied, and moved their machining divisions to their plant in Japan. These jobs are lost forever in the job market. Over half of the people affected in this particular place were over

forty years old, and many were members of minority groups and women. When people have been on a job 10, 15, 20 to 40 years, it is not easy to find a job elsewhere. Most of the people who worked with me were skilled machinists, technicians, inspectors, electronic and mechanical assemblers, capable of using blueprints and possessing many expensive tools. To be "retrained", as one of our people was, to go to work at a restaurant for minimum wages is causing panic and despair. There are very few jobs available now, and many of these do not pay enough for a subsistance level of living.

The stories go on and on. Our people are losing their homes. We have no medical coverage. Gas and lights are luxuries we cannot afford. Food stamps do not last the month. We are not even the "new poor" anymore. We have entered the dispair and frustration of the old poor.

People who were taxpayers, steady workers and believers in the American Dream for years, now watch helplessly as, one by one, we succumb to a life of abject poverty and hopelessness. We are losing our homes, cars, decent education for our children, health care, our hopes of a decent pension. We are losing our spouses, self-esteem, our sanity. A person who for years has always met all financial obligations is demoralized when utilities are shut off because they are no longer affordable.

We have come here today from Cleveland to represent thousands of jobless workers in Cuyahoga County. This is a stack of 15,000 signatures we collected in two weeks at the unemployment offices in May. May, 1983 was the point when

Ohio lost the 13 week Extended Benefit program because of the outrageous, morally and logically insupportable "trigger mechanism" which does not even reflect the actual rate of unemployment in the state or country. The 15,000 signatures are on petitions calling for:

1. An extention of unemployment benefits until people find jobs.
2. A revision of the "trigger" mechanism to provide extended benefits.
3. Development of a Public Works Program to provide jobs at living wages for all unemployed workers.

The need to provide additional weeks of benefits and to revise the "trigger mechanism" to restore the Extended Benefit program and the lost FSC benefits is crucial. Approximately 200,000 Ohioans exhausted their benefits this summer. In Ohio, almost 40% of the counted unemployed have been laid off over 26 weeks. That proportion has increased from 24% last year. In addition, 64% of Ohio's jobless workers are not receiving benefits. Last year only 40% of the unemployed were not. In most industrialized, Western countries, unemployment benefits are more generous, often extending from paycheck to paycheck, and covering first time job seekers.

We believe the current 9.5% national unemployment rate represents a crisis situation for the 15 million people it directly affects. At 20%, black unemployment is twice as high as white unemployment. Black youth unemployment went up to an unbearable 56% level, nationally. This is not recovery in

any sence of the word!

Whether we cite statistics or real life stories, the fact is that the unemployed workers are being driven down into poverty. We are shouldering the burden of the depression. We are being ground into the dirt because Warner & Swasey milked the profits from our plant, because U.S. Steel makes more money owning Marathon Oil than producing steel, because GM Fisher Body can get away with paying workers $2 per day in their plants in Chile, South America. We are facing utility shutoffs and higher infant mortality because Ohio Crankshaft, National Acme, Westinghouse, Fazio warehouses, Cruciable Steel, Eaton Axle, Towmotor, Addressograph-Multigraph, and dozens of other plants have shut down in our area and precious few new jobs have opened up.

Whole communities are adversely affected by the loss of income. In areas where unemployment is high, creditors and the business community feel the pinch, local tax bases are lost, education looses. Drugs, alcoholism, and mental problems increase.

What are we supposed to do? What are you going to do?

We want jobs, decent jobs at decent wages, because are diligent working people.

If you cannot provide jobs, then we want an extention of benefits until jobs become available.

We had nothing to do with the decisions to close our plants or lay us off. Either we should have some control over those decisions or we should be protected against the devastating results of those decisions. In addition, those corporate interests that abandon the workers for low-wage area investments should be

made to shoulder the burden for the ghost towns, misery, and incredible poverty they have caused our communities. Workers should not suffer so drastically for the loss of a job due to no fault of their own.

Congress has not yet approved help for the unemployed - no medical coverage, no moratorium on home foreclosures, no significant jobs program. We have seen the wealthy corporations well represented by Congress - the tax ripoffs, the previous gas de-regulation legislation, the Carribean policy. We have not seen our concerns addressed. We certainly hope they will be, in this committee.

The Cleveland Council of Unemployed Workers appreciates the opportunity to present our views to this Subcommittee. Thank you for your attention.

Corry Area Unemployed Council, Inc.
55 North Center Street
Corry, PA 16407
September 12, 1983

Committee on Ways & Means
U. S. House of Representatives
Room 1102
Longworth Office Building
Washington, D.C. 20515

Mr. Chairman - Members of the Committee:

Our delagation - being comprised of members of the Corry Area Unemployed Council, Inc., located in the county of Erie, the city of Corry, PA respectfully request the right to state the desperate situation of our unemployed citizens. Effective September 30, 1983, our own government has decided to stop all FSC unemployment benefits, with no real thought as to the gravity of the situation.

Our "Council" - founded in March of 1983 - has desperately worked hard to alleviate some of the local problems of the unemployed. We have contacted all local businesses and agencies for monetary assistance to aid persons with utility shutoffs; house and/or rent payments to ensure a room over their heads; provide food for the table; acquire adequate medical and dental care for families and try to get any type of work for our unemployed people.

As it stands now, those same agencies and businesses who have helped us in the past, have almost exhausted their resources due to the high unemployment rate in the Corry area. Now that hundreds of persons have - or will - exhaust their unemployment compensation benefits, those same agencies will be pushed to the limit and unable

to help anyone.

With a population of 7,100, Corrys unemployment rate is still over 13%, which means that those still of working age, many, many people will be losing everything they worked hard to get. Through no fault of our own, we have lost our jobs, with no hope of returning in the immediate future. Our jobs are gone and now our government is taking away our hope for survival.

In a Country as great as ours, our own government has turned a deaf ear to our problems. We're in desperate need and you must realize how critical the situation is. The government statistics show that the unemployment rate has gone down. It is our understanding that one of the ways these statistics are compiled is a phone survey. One of the very first things I lost after being laid off was my phone! Many of our "Council" members have also lost their phones! I would suggest to this Committee to seek out exactly how these unemployment figures are truly being arrived at. Those figures are only showing the persons who are receiving benefits, and there has been no significant rise in employment.

The following is a quote from the September 1983 issue of Readers Digest Magazine - page 89 - from the article, "Detroit Faces the Rising Sun". I quote, "America is the only major industrial country in the world that is virtually open to Japanese cars. Britain limits its imports from Japan to 11% of its home market, France to 2.5%, Italy to just 2,200 vehicles. The Japanese shipped 1,760,000 cars here last year - precisely 3,562 American cars were sold in Japan.", end of quote. I would like to know how many jobs the manufacturer of

these 1,760,000 cars could provide us.

In closing, it was a barbaric act of murder to lose 269 persons over Russian airspace - through no fault of their own. It is just as barbaric for the United States government to turn its back on all of the unemployed people who are to be economically murdered very soon. We need benefits - we need help - we urge this Committee to help us.

Sincerely,

Donald R. Cochran
President

Chairman
Phillip A. Thompson
President
Kentucky Chamber of Commerce

Vice-Chairman
John W. Wells
President
Indiana State Chamber of Commerce

Secretary
James Barrett
President
Michigan State Chamber of Commerce

Treasurer
Bob W. Pittman
President
Mississippi State Chamber of Commerce

COUNCIL OF STATE CHAMBERS OF COMMERCE
WASHINGTON RESEARCH OFFICE:
122 C STREET, N.W. • SUITE 200 • WASHINGTON, D.C. 20001 • (202) 484-8103

President
William R. Brown

September 15, 1983

Senator Robert Dole
Chairman, Committee on
Finance
United States Senate
Room SD-221, Dirksen
Senate Office Building
Washington, DC 20510

Dear Senator Dole:

On behalf of the Council of State Chambers of Commerce and its Employee Benefits Committee, I would like to go on record indicating that we do not feel it is necessary or desirable to revise the triggers at this time for the Federal State Extended Benefit Program. Any revisions at this time very likely would complicate the situation for the States that are already having great difficulty in meeting their unemployment compensation obligations.

If it is felt necessary to extend the Federal Supplemental Compensation program we would suggest that a proposal along the line of that made by the Administration would be the most desirable approach.

Sincerely yours,

William R. Brown

William R. Brown
President

WRB/cgs

State Organizations in the Council are—

Alabama Chamber of Commerce
468 South Perry Street
P.O. Box 76
Montgomery, Alabama 36195

Arkansas State Chamber of Com.
911 Wallace Building
Little Rock, Arkansas 72201

Colorado Assoc. of Com. & Ind.
1390 Logan Street
Denver, Colorado 80203

Connecticut Business & Ind. Assn., Inc.
370 Asylum Street
Hartford, Connecticut 06103

Delaware State Chamber of Com.
1102 West Street
Wilmington, Delaware 19801

Florida Chamber of Commerce
136 S. Bronough St.
Tallahassee, Florida 32301

Business Council of Georgia
575 N. Omni International
Atlanta, Georgia 30335

The Chamber of Com. of Hawaii
Dillingham Building
735 Bishop Street
Honolulu, Hawaii 96813

Illinois State Chamber of Com.
20 North Wacker Drive
Chicago, Illinois 60606

Indiana State Chamber of Com. Inc.
One North Capitol Ave., #200
Indianapolis, Indiana 42248

Kansas Association of Com. and Industry
500 First National Tower
Topeka, Kansas 66603

Kentucky Chamber of Com.
Box 817, Versailles Rd.
Frankfort, Kentucky 40602

Louisiana Association of Business & Industry
P.O. Box 3988
Baton Rouge, Louisiana 70821

Maine State Chamber of Com.
One Canal Plaza - Box 65
Portland, Maine 04112

Maryland Chamber of Com.
60 West Street
Annapolis, MAryland 21401

Michigan State Chamber of Com.
200 North Washington Square
Lansing, Michigan 48933

Minnesota Assoc. of Com. & Ind.
480 Cedar Street
St. Paul, Minnesota 55101

Mississippi Economic Council
P.O. Box 1849
Jackson, Mississippi 39205

Missouri Chamber of Com.
P.O. Box 149
Jefferson City, Missouri 65102

Montana Chamber of Com.
P.O. Box 1730
Helena, Montana 59624

Business and Industry Assn. of New Hampshire
23 School St.
Concord, New Hampshire 03301

New Jersey State Chamber of Com.
5 Commerce Street
Newark, New Jersey 07102

Business Council of New York State
152 Washington Ave.,
Albany, New York 12210

Ohio Chamber of Com.
17 South High Street
Columbus, Ohio 43215

Oklahoma State Chamber of Com.
4020 North Lincoln Boulevard
Oklahoma City, Oklahoma 73105

Pennsylvania Chamber of Com.
222 N. Third St.
Harrisburg, Pennsylvania 17101

South Carolina Cham. of Com.
P.O. Box 11278
Columbia, South Carolina 29211

South Dakota Chamber of Com.
P.O. Box 190
Pierre, South Dakota 57501

State Chamber Division Tennessee Taxpayers Association
706 Church Street - Room 242
Nashville, Tennessee 37203

East Texas Chamber of Com.
P.O. Box 1592
Longview, Texas 75601

South Texas Chamber of Com.
6222 Northwest Interstate 10
San Antonio, Texas 78201

West Texas Chamber of Com.
P.O. Box 1561
Abilene, Texas 79604

Rio Grande Valley Chamber of Com.
P.O. Box 975
Weslaco, Texas 79596

Vermont State Chamber of Com.
P.O. Box 37
Montpelier, Vermont 05602

Virginia State Chamber of Com.
611 East Franklin Street
Richmond, Virginia 23219

West Virginia Chamber of Com.
1101 Kanawha Valley Building
P.O. Box 2789
Charleston, West Virginia 25330

Wisconsin Association of Manufacturers & Commerce
111 E. Wisconsin Avenue
Milwaukee, Wisconsin 53202

And Cooperating Organizations in Other States

Testimony presented to:

HOUSE OF REPRESENTATIVES
Ways and Means Sub-Committee
Washington, DC

Subject: EXTENDED FSC BENEFITS FOR THE UNEMPLOYED, PLUS ADDITIONAL 14 WEEKS FOR ALL UNEMPLOYED

Date: Tuesday, September 13, 1983

Presented by: Carole Anderson
4006 Liberty Street
Erie, Pennsylvania 16509
(814) 868-3193

Executive Board Member, ERIE COUNTY UNEMPLOYED COUNCIL
245 East Eighth Street
Erie, Pennsylvania 16503
(814) 456-2872 or 453-5392

May I introduce myself. My name is Carole Anderson, and I am a native of Erie, Pennsylvania. I joined the work force at General Electric Company in Erie in February 1956, starting as a Secretary and worked my way up that famous ladder to Professional status in 1974. Those last seven years, my normal work week consisted of 50 to 60 hours per week -- whether I got paid for over forty or not. When you're a female on a Professional level, competing with males on equal jobs, all eyes are on you. You have to work twice as hard, be twice as productive ... and heaven help you if you goof up. Everyone is watching you very carefully -- and waiting! I took every class that was offered by GE that I could get into -- including their Manufacturing Studies Program (2 years, 500 classroom hours).- A copy of my Company resume, attached to my written testimony, relates to my vast experience in many fields. I have always been big in Computer Systems, Analysis, and Programming ... which will probably be my saving grace, I hope. As a productive employee, I saved the General Electric Company money ... to the tune of 192% of my salary over those seven years. And, it wasn't by cutting other peoples' pay.

At the time of my notice of layoff due to lack of work, I was given the option (after the 60-day notice period) to leave and immediately go on Unemployment Compensation Benefits, or I could work one week for each year of service. I elected to work the 26-week retention period ONLY because the job market was not very sunny at that time ... and I might need those extra weeks on UC Benefits until the job market recupped.

In February 1983 when I went on maximum Unemployment Compensation benefits, my take-home income decreased 45%; recently, I took another additional 5% cut due to the Pennsylvania Unemployment Compensation Reform Law ... but my financial obligations did not reduce! They stayed the same. The new hot water tank I had to buy last week certainly was not in my budget. This layoff affects not only my present day living, but my Pension Fund and Social Security for my retirement years. What do you do when you are too young to retire ... and too old to get a job? I have worked since I was 16 years old ... and this is the FIRST time in my life I have been without a job!

For well over ten years, I worked two jobs in order to get the things in life I wanted. No one "gave" me anything -- everything I have I went out and worked for. I did without many things (like parties, etc.) so I could have what I wanted. One winter, I remember so well, Mom was laid off and having trouble finding work, and we managed on my secretarial salary. That winter I had only four dresses to wear -- and every woman in this room can relate to how it feels to wear the same four dresses week after week after week the whole long winter. I swore then that I'd never be broke again... even if it meant working 20 hours a day. But what do you do when you cannot even get ONE job -- when there are no jobs?

My parents divorced when I was quite young and since I am an only child, I am fully responsible for my "senior citizen" mother. Twelve years ago, we pooled our resources and bought the home we live in today ... yet. We were very fortunate that we were able to assume the previous owner's mortgage at 5½% interest. Today we only owe about $5,000. We've made improvements to our home as we had the resources for them ... and, NOW the great fear hangs over us "Will we lose our home? ... and everything else we both worked so hard to get? Where would we go? What would we do?

My hopes of getting back in at General Electric in Erie are just about nil. When I was first employed there the employment rate was about 12,000 -- NOW it is down to 7500. And, they recently announced another 1,000 layoffs pending ... and rumor has it closer to 2,000.

When I registered to vote shortly after turning 21, I registered "No Party". You can bet your last dollar that has been changed in the past month. To all of the Unemployed across the Country, I say "Register - Register - Register!" That is the only UNITED way we have to show our strength.

I have been involved with the Erie County Unemployed Council since the initial organizational meeting in February 1983 ... eight days after I walked out of the General Electric for the last time ... just four days short of 27 years service.

26-764 O--84---8

I am not here today to speak only for myself, but for ALL the Unemployed across this vast nation who are sufferring.

I have been active in our Unemployed Council not so much for what I could get out of it, but for what I might be able to do to help others Unemployed. As I talked with people at this organizational meeting, my heart bled for so many of these people who constantly try so hard to put up a brave front for the rest of the world ... and there has not been a day or week since then that has passed without repetitous heart-breaking tales from these Unemployed passing daily through our offices. These are not the so-called "chronic" deadwood, that are too lazy to work. These are human beings from all "walks of life" ... all ages...all job trades (and a good many of them highly skilled). They come from an assortment of backgrounds and educations. They are ALL Human Beings .. We are ALL Human Beings... NOT just another statistic on the records or in the media. We are not inanimate -- we have real feelings just as you ladies and gentlement do ... we have our hopes and dreams of rising out of this "unnatural, unwanted" state of affairs called "Unemployment". But right now ... when the days are almost as dark as the nights for many of us unemployed, hopes and dreams are the only rationale that stabilizes us and keeps us from going off the deep end into the mental wards.

We do not hear the United States Government saying to the Unemployed, "Since you are within inches of losing your home, here is the money you need to keep what you have worked all your life to buy, and you can repay us when you go back to work." But the Government is sending billions of dollars all over the world. They take better care of the "adopted" children than they do us ... and we are their own "flesh and blood".

Members of our Erie Unemployed Council sat outside the Erie Employment Office all last week to raise the money to paid for the van rentals and gasoline for fifty of us to come to Washington and meet with you, to ask ... to plead with you to not only restore our Unemployment Compensation Benefits but to add an additional 14 weeks of Benefits for ALL Unemployed. It meant enough to our Council members -- to be very real ... it takes a lot of "guts" -- to ask fellow Unemployed for donations. It should show you how real and drastic the Unemployment problem is in Erie County. These people gave us whatever the had ... a nichol, a dime, a quarter, and yes - even pennies. Once in awhile we found a big spender and got a dollar bill. When a man empties out the last few coins in his pocket for you and says this is all I have and I just finished signing for my last check ... What does all this tell you? We gave our fellow Unemployed an opportunity to "stand up and be counted" ... and ladies and gentlemen, there may only be 50 here physically from a 50-mile radius of Erie, but the hearts and prayers of another 1200 are here with us too.

My personal story is just ONE of 20 million. 20 Million UNEMPLOYED PEOPLE in America! 20 Million families living constantly in fear of the future... the future that previously was realizing dreams and goals, but have now turned into "Nightmares". Now, the only concern is "Will I find a job today -- or at least before everything falls in on us?" 20 Million desperate families watching everything they worked for so hard all their lives ... be taken from them. Winter is coming -- how will they pay heating costs with no money coming in? Erie County represents approximately 200,000 people -- with about 100 Agencies to handle free food ... with hundred waiting in line for this free food. The Food Banks are cutting their "food bags" tremoundously ... for they are running out of money to get the food. How do you maintain the "happy" family atmosphere when you know there is no money for the milk and proteins you and your Children need to be strong and healthy ... what physical secondary effects will these children encounter in their later years from today's unwanted circumstances??? How do you feed your family? How do you clothe them? What if there are major medical needs ... Oh my God, what do I do then? How will all of you survive? If you allow it, the fright can eat you up. So you try to put it aside and not think about it... but it's like a ghost, it follows you everywhere!

People come into our office daily -- people on Zero-Income. These are the people that have been taken off Welfare when the Welfare was retracted. Where do they go? What do they do? They live with friends until those friends can no longer support them; then they find other friends to "sponge" from When they run out of friends -- there is no recourse left but the "streets". If you thought you lost your self-respect and dignity by standing in line for your Unemployment check, how do you think you feel when you hit the "streets"?

In the past, it was a real Social stigma against you to go on Welfare -- you were too lazy to work ... right? My, My how pride has to be swallowed when you have NO income expectations, and you open that door for the first time at the Welfare Office ... and you HAVE TO WALK THROUGH THAT DOOR!

Some maintain: Job Re-training is the answer to Unemployment .. Is it? It's a great idea ... but great ideas do not always work. We are beginning to find people that have completed their Job Training, and they ask us "How can I use my new skill if I can NOT get a job working at it. I'll loose what I've learned if I don't get a chance to apply it? What am I suspose to do?" They have expressed their willingness to work by undergoing new Job Training, and now they cannot apply their learnings. WE NEED AN INCOME ... 20 Million Americans NEED AN INCOME. We would much rather be working today at our individual jobs than be here in this Hearing room asking you to extend the Unemployment Compensation Benefits and add an additional 14 weeks for all Unemployed ... so that we can live with a small degree of dignity for a little longer ... just a little longer!!!

This past June, a National Unemployed Conference of Unemployed Councils was held in Erie. The Unemployed representatives came from California, Washington State, D.C., Virginia, Ohio, Iowa, Michigan, Ohio, New York, Massachusetts, Connecticut, etc. They came however they could ... mostly by beat-up cars that barely made it and back. But the need to UNITE was so strong, they got here ... to be heard ... to attempt to tell the Government "Hey, don't let us be the 'forgotten' people of this country."

Since about 1978 the United States Government has been creating a "Lost Generation" -- persons whose Benefits have run out, cannot find employment because there is NO Employment. These people are employable -- they have skills ...BUT they CANNOT FIND WORK. They have lost their homes; many have lost their families and friends. Yet these people are NOT a part of any County, State or National Statistic on Unemployment ... because they are off ALL Benefits. A good many of these people cannot even be found for a census. Do you know you cannot even get a check-cashing identification card if you are unemployed?

The National Government get their Unemployed statistics by telephoning 64,000 people and ask if they were unemployed, and if they are now working! How do they contact those Unemployed who have lost their phones because they couldn't pay for them? How do they get into these Employment Statistics? How or who selects which 64,000 will be polled next?

20 Million UNEMPLOYED IN THIS COUNTRY ... 20 Million DESPARATE people across this great nation of ours ... while our country supports every country in the world by sending billions each year to support them - their "adopted" children. When will our great nation help our own 20 Million children in their time of need?

As a Black stated in a Task Force Committee Meeting several months ago, "We Blacks are used to being poor ... It's you Middle-Class Whites that don't know how to handle it."

We MUST have FSC renewed ... and at least an additional 14 weeks of Benefits for ALL UNEMPLOYED! If you really believe in the much talked about "recovery" then certainly you can help us until this "recovery" catches up with us. Most of all, we NEED JOBS...JOBS..JOBS!

Respectfully Submitted by:

Ms. Carole J. Anderson
4006 Liberty Street
Erie, Pennsylvania 16509
(814) 868-3193

September 13, 1983

4068 Liberty Street
Erie, Pennsylvania 16509

CAROLE J. ANDERSON

(814)
868-3193

OBJECTIVE

A position in which I may use my experience in Business Administration, Budget and Forecasts, Wage Payment and Audits, Industrial Engineering and/or Industrial Productivity Trends, as well as my Computer Science (Basic, Fortran, Microprocessor) background.

SUMMARY

Developed and mechanized systems and routines through Internal Time Share, and/or interface with Computer Information Systems:-

- Through which Manufacturing Operations Supervision could most effectively be directed and measured. Resultant Savings: $147,300.
- Aligned Systems when two Operations merged. Resultant Savings $155,500.
- Audit of direct Labor vouchers indicated many discrepancies. Established system and limits with Management, which resulted in $38,586 Savings/year.

Savings while on Professional equalled 192% of my Annual Salary

An additional $23,387 Annual Savings resulted through design and implementation of Audit Trails through use of Computer Information Systems and Time Share.

Developed and mechanized through Internal Time Share:-

- Salary Forecast which includes overtime plus all related benefits. Program included four Salary Presentations. Savings $9,180.
- Miscellaneous Wage Measurement Productivity Trends. Savings $39,100.

Designed, mechanized new Measurement report utilizing Tabol System on Mark III.

Coordinated and published Annual Operating Plan for Unit.

Developed, coordinated and implemented Trades Conference attended by 128 Managers from General Electric plants in Canada and U.S.

First female professional in Locomotive Manufacturing Engineering Operations.

Responsible to procuring equipment for organization; moving office to new location, including renovation and interior design.

EXPERIENCE

1956 to Present — **GENERAL ELECTRIC COMPANY, Locomotive Operations (Erie, Pa.)**

1978-present — Audit & Systems Specialist (Report to Manager, Wage Measurement)

Functionally responsible for:

A) Programs, studies, appraisals, advice and counsel to aid Manufacturing Components to design, improve, and maintain formal Administrative Systems and Routines.

- Designed and implemented through interface with Computer Information Systems and/or Mark III Time Share four Management Statistical Analysis reports, resulting in savings of $27,500.

B) Maintenance of Company's Wage Measurement and Payroll Policies of payments to hourly employees through Audit.

- Second shift Auditor for Daywork Board Audits. One 7-month span included audit of total building security.
- Audit of Direct Labor Vouchers indicated many discrepancies. Established a system and limits with Management. Through Compute Information Systems and Mark III Time Share designed and implemented Audit Trails. Resultant Savings total $61,973.

1006 Liberty Street
Erie, Pennsylvania 16509 CAROLE J. ANDERSON (814) 868-3193

Audit & Systems Specialist (cont'd)

C) Home Organization responsibilities: Designed and implemented through Mark III Time Share

- o IME Budget and Forecasts
  - Salary Forecast contains 4 Salary Presentations. Savings $9,180.
- o Wage Measurement Productivity Trends - Savings $12,900
  - 3 Programs: Actual Direct Labor Savings
    Average Age of Pricing Data
    Forecast of Direct Labor Savings; Personnel Required
- o Manufacturing Operations reports: Distribution of
  - Distribution of Incentive Efficiencies. Savings $695/run
- o Miscellaneous duties (notMechanized)
  - Coordinated and published 1981 Annual Operating Plan for Unit
  - Investigated and procured for Unit: Copier, Word Processor, and Lektriever File System. Savings $14,152.
  - Moved office to new locations, including renovation and interior design.
  - Successfully trained 2 Manufacturing Trainees.

D) During "Retention" period

- o Designed and implemented new Manufacturing Measurement report utilizing the "Tabol System" on Mark III Time Share.
- o Compiled data base of 1500 pieces plus updated ALL data bases for new year.
- o Manually retrieved histroic data and designed new report for Weighted Measurements Trends

1974-1978 Audit and Systems Analyst (Reported to Manager, Wage Measurement)

Manually maintained and issued weekly Productivity Measurement Trend Graphs for Management evaluation, as well as Time Standards Productivity Measurement Trends on a continuing basis. Savings equal to 113% of my Salary.

Secretary 1956 to 1974

General secretarial responsibilities in departmental functions as: Wage Measurement, Cost Accounting, Purchasing and Customer Service. Submitted 57 Company Suggestions.

2/83 to present ERIE COUNTY UNEMPLOYED COUNCIL -Volunteer (Report to Council President)
Office Coordinator; Corresponding Secretary of Executive Board

Main Responsibile is to provide a smooth flow of all clerical operations within the Council; Secondary responsibility is to assist with whatever needs are prevalent.

- o Responsible for coordinating First National Unemployed Conference 6/83.
- o Compiled Constitution and By-Laws
- o Compiled Federal Tax Exemption Application.
- o Assist in compiling Funding and Grant Requests for money allocated by Federal Government as well as other Funding Organizations to the non-profit organizations.'

As with many Volunteer organizations, the manpower is limited; the resultant exposure in the many areas which arise in the operation of a non-profit, volunteer organization serving Humanitarian purposes, fills in many gaps left by the previously local manufacturing environment I had experienced... giving me a much broader plane of experience.

PERSONAL

- o Served three years as Chairperson on Church-sponsored Interdenominational Single Adult Group. Through my efforts Membership increased from 12 to 100.
- o Serving second term as Corresponding Secretary of our Church Board.
- o Past two years have designed, coordinated, and implemented our Church's Annual Fund Raiser successfully...with a most profitable result.

EDUCATION: ASSOCIATES DEGREE - SECRETARIAL SCIENCE
Erie Commercial College -Erie, Penna.

MANUFACTURING STUDIES CERTIFICATE 3.2 average (out of 4.0)
General Electric Company -Erie Plant
A two-year study program consisting of 15 courses and 500 classroom hours.

Additional Courses (taught by qualified G.E. personnel):

Basic II	Kepner-Tregoe Analytical Trouble Shooting
Microprocessors	Kepner-Tregoe Decision Making
Fortran V	Effective Writing
	Improving Personal Effectiveness

Course taught on site by College Professor:

C. C. GARVIN, JR.
Chairman of the Board

September 20, 1983

Senator Robert Dole
Chairman, Senate Finance Committee
S. D. 219 Dirksen Senate Office Building
Washington, D. C. 20510

Dear Chairman Dole:

As I know you are fully aware from Bureau of Labor Statistics reports, during the recent year of 1982, some 26.5 million persons -- 22 percent of the labor force -- experienced a spell of unemployment, a record proportion during any of the postwar recessions. Recognizing that the severity of the recession was resulting in an increase in the average duration of unemployment, Congress enacted last September the Federal Supplemental Compensation (FSC) program to provide additional weeks of unemployment benefits to individuals who had exhausted their regular benefits and, where applicable, their extended benefits.

Although economic recovery is proceeding apace, the impact of the recession is still being felt by some 10.7 million people who remained unemployed in August, 1983. With the authority for FSC scheduled to expire on September 30, large numbers of unemployed workers face the potential of losing an important source of assistance during their period of unemployment.

My company, in conjunction with those listed in the attachment, has been studying the unemployment problem. As you well know, the issue is diverse and complex, and an optimal long-term solution has been difficult to develop. We find ourselves trying to balance conflicting goals -- we're staunch supporters of a sound unemployment benefit program that will tide workers over periods of temporary unemployment, but not at the same time discourage them from accepting new employment; we feel it is imperative to balance the federal budget, but at the same time, we cannot turn our backs on the plight of the unemployed. While our deliberations on a long-term solution continue, we have reached a consensus that the existing authority and provisions of FSC should be extended for a six-month period. On behalf of my colleagues and our companies, I ask that our support for an extension be made part of the record as your committee considers the reauthorization of the Federal Supplemental Compensation program.

Sincerely,

C C Garvin Jr

Attachment

Stephen D. Bechtel, Jr.
Chairman
Bechtel Group, Inc.

Charles L. Brown, Chairman
American Telephone & Telegraph Company

James E. Burke, Chairman
Johnson & Johnson

James H. Evans, Chairman
Union Pacific Corporation

Philip M. Hawley, Chairman
Carter, Hawley, Hale Stores, Inc.

Reuben F. Mettler, Chairman
TRW Inc.

Rogers B. Smith, Chairman
General Motors Corporation

John F. Welch, Jr., Chairman
General Electric Company

Walter B. Wriston, Chairman
Citicorp

STATEMENT OF THE

INTERSTATE CONFERENCE OF EMPLOYMENT SECURITY AGENCIES, INC.

SUMMARY

The Interstate Conference of Employment Security Agencies, Inc. (ICESA) is the organization representing state administrators of unemployment compensation laws and public employment offices throughout the country.

FSC Extension

- ICESA supported the extension of FSC in March; however, our members have not yet had an opportunity to go on record concerning a further extension. We do recognize that high levels of unemployment persist in many states.

Extended Benefits (EB)

- The combined effect of changes made in the EB program in the past several years has been fewer and shorter extended benefit periods than might have been intended. Currently, EB is being paid in only three states although unemployment is perceived to be at high levels in many others.

- ICESA's Unemployment Insurance Committee has recommended a comprehensive review of the program.

Alternative Triggers

- State total unemployment rates (TUR's) are less reliable statistically than insured unemployment rates (IUR's); but as a measure of economic distress, the TUR has the advantage of including those who have exhausted benefits and are still looking for work.

- Substate area triggers would create serious inequities among unemployed workers, and provide an environment for potential abuse. Area unemployment rates are also very volatile due to seasonal unemployment patterns. We urge you to reject the concept of area triggers.

S.1784

- The concept of a sliding scale of increasing federal responsibility for financing and an increasing general revenue share of that federal responsibility is consistent with the philosophy of the current system and worth exploring.

- As S.1784 is now structured, it would increase benefit outlays from many state trust funds and the federal unemployment trust fund at a time when the system is struggling to regain solvency. In considering this proposal, the economic impact of higher taxes and the potential disincentive effects of additional weeks of benefits must be balanced against the needs of unemployed workers.

- S.1784 includes the following two proposals that we have repeatedly urged be adopted for EB and FSC: 1) states are permitted some flexibility in setting work search requirements; and 2) the entitlement of those claiming benefits on an interstate basis would be determined by the number of weeks available in the state paying the claims.

Current FSC Program

- The current FSC program is so complicated that many of our own employees do not fully understand it. It is almost impossible to explain to FSC recipients. This is frustrating for us as administrators of the program as well as for the recipients. ICESA urges you to take a more streamline approach as you consider extending the program.

The Interstate Conference of Employment Security Agencies, Inc. (ICESA) is the organization of administrators of unemployment compensation laws and public employment offices throughout the country. We appreciate this opportunity to submit our comments regarding extension of the Federal Supplemental Compensation (FSC) program beyond the current expiration date of September 30, 1983.

The Federal Supplemental Compensation program took effect September 12, 1982, paying 6, 8 or 10 weeks of benefits depending on the insured unemployment rate in the state. As unemployment became worse, additional weeks were added to the program. Beginning January 9, the number of weeks available were 8, 10, 12, 14 or 16. The program was modified and extended in April 1983, making 8, 10, 12 or 14 weeks available to those who newly qualified for the program and an additional 6, 8 or 10 weeks available to those who had previously exhausted all benefits.

The question now before Congress is whether another extension of FSC is warranted and if so, what form it should take. While the national economy has improved considerably since FSC was last considered, unemployment remains high, at 9.5 percent nationally and even higher in many individual states. As observed in past recessions, unemployment is among the last economic indicators to show improvement during a period of recovery. We supported extension of FSC in March, however, ICESA's membership has not yet had the opportunity to go on record concerning a further extension. The Annual Meeting of our members will be held next week. Nevertheless, we cannot dispute the fact that high levels of unemployment persist in many states.

Extended Benefits

It is impossible to discuss the FSC program without talking about the federal-state extended benefit (EB) program also. In the past two years the following three changes have been made in the EB triggers (i.e., the rates of insured unemployment that trigger payment of EB).

- o The national trigger was eliminated in July 1981.
- o Extended benefit claims were excluded from calculation of the trigger rate, also in July 1981.
- o Effective October 1982, the mandatory state trigger rate was increased from four percent, plus a 20 percent increase over the prior two years, to five percent (plus the 20 percent factor), and the optional trigger from five percent (regardless of the increase) to six percent.

All three of these changes have had the effect of limiting the payment of extended benefits. Two years ago, we supported elimination of the national trigger and believe that experience has shown that action to be sound policy. Even during the last year, a few states did not experience the high levels of unemployment that plagued most of the country. We continue to support the payment of extended benefits on the basis of state-specific triggers.

The exclusion of EB claims from calculation of the trigger rates and the higher state trigger levels are separate issues but should be considered together because each has contributed to less frequent extended benefit periods. In addition, in the past several years state law changes have tended to reduce the number of workers eligible for benefits. The combined effect of these changes in the program has resulted in fewer and shorter extended benefit periods than might have been intended. Currently, only

three states are paying extended benefits though unemployment is perceived to be at high levels in many others.

Whether or not to include extended benefit claims in the calculation of the extended benefit trigger rates is a confusing issue. On one hand, including EB claims would create two definitions of high unemployment: the first definition, for triggering "on", would use only regular UI claims, disregarding the number that have exhausted benefits; the second definition, for triggering "off", would use both regular and extended benefit claims. On the other hand, excluding those claims appears to understate the level of insured unemployment in a state, making it less accurate as a measure of economic distress. The net result, of course, is that excluding EB claims from the trigger calculation has the effect of ending an extended benefit period in a state sooner than it would have if the EB claims were counted.

We have less than one year's experience with the higher state triggers, however, during this short time unemployment has been at record levels. Questions have been raised about whether extended benefits have been available at appropriate times. In many cases, the federal supplemental compensation program has filled the gap where a need for additional weeks of benefits was perceived but extended benefits were not available.

ICESA's Unemployment Insurance Committee has discussed the way that the EB program has functioned in the current recession and believes that a comprehensive review is needed. That examination should include the following:

- o Seasonal adjustment of the trigger rates. Do states trigger "on" or "off" due to seasonal factors? Would seasonal adjustment mean that EB is paid at the times it is most needed?

- o The time period for computing the trigger rate. Is the 13 week moving average too long or too short a period to use?
- o The 20 percent factor. After several years of high unemployment, a state has difficulty meeting this requirement. Conversely in some states with relatively lower unemployment, the rate may double but still be too low to trigger "on".
- o Financial responsibility. Should the federal government bear a larger share of cost of extended benefits when there is a high level of unemployment?

Alternative Triggers

There are several proposals to provide alternatives to the insured unemployment rate, to trigger extended benefits/federal supplemental benefits. The two measures frequently offered are sub-state area triggers and the total unemployment rate.

The insured unemployment rate (IUR) reflects the number of people who are claiming unemployment benefits as a percent of the number of people who are employed and covered by unemployment insurance laws--about 97 percent of all workers.

The total unemployment rate (TUR) reflects the number of people who are looking for work--both those claiming UI and those that are not--as a percent of the labor force. State TUR data are collected by the Bureau of Labor Statistics by sampling households in the 10 largest states and by making statistical adjustments to a sample of UI claims in the remaining states.

The BLS also publishes local area unemployment rates that are derived from the same data that are collected for the state TUR's.

The IUR and TUR obviously define unemployment in different ways. Each has strengths and weaknesses as a measure of unemployment. The IUR is a more reliable number because it is an actual count of individuals. There are names and social security numbers for each one, the counts can be validated. The TUR is based on a sample of people and like any estimate derived from sampling, has some variability. The TUR, however, may provide more comparability among states since unemployment is defined in the same way for each state. The IUR is less comparable among states due to differences in state law regarding qualifying, eligibility and benefit duration. States with more stringent requirements will tend to have lower IUR's. Another factor that makes the TUR more comparable, and perhaps more indicative of economic distress, is that it includes those who have exhausted all unemployment benefits but have not yet returned to work. If one wishes to measure the need for EB/FSC by the opportunity for those exhausting regular benefits to find reemployment, the TUR might be a better gage than the IUR. When a state has had a long period of high unemployment fewer and fewer people quality for benefits, lowering the IUR; but many of those exhausting don't go back to work, keeping the TUR high.

At first glance, substate triggers would appear to be an effective way of targeting benefits to the areas where they are most needed. However, area triggers (whether IUR or TUR), create serious inequities among unemployed workers. People often live and work in different areas. Should people qualify for additional weeks of unemployment, based on where they live, or where they worked? There will be inequities whichever is chosen. There will be unemployed people who formerly worked side by side but live in different areas, one qualifies for additional benefits and one

does not; or next door neighbors who worked different places and one qualifies and the other doesn't; or among people claiming benefits at the same local office, some qualify for additional weeks and others do not. This won't seem fair to those who are not eligible for the additional weeks of benefits. There is also the possibility for abuse, using a friend's address or a post office box in the high unemployment area in order to qualify for additional weeks of benefits. In addition to the equity issue there are practical problems in using sub-state unemployment data. The TUR data are available only on a monthly basis, several months after the month for which the data were collected. Because of the small sample size, there is also a wide range of variability. Sub-state IUR data are not currently developed. Development would require employers to report each worker's employment by area. Some way of dealing with people who work in several areas for the same employer would have to be developed also. Local IUR data would also be very volatile due to seasonal unemployment patterns. For reasons of both equity and practicality, we urge you to reject the concept of area triggers. We can ensure that benefits are paid only to those for whom no employment opportunities are available by strict monitoring of availability and work search efforts.

Comments Regarding S.1784

In addition to the issues discussed above, we would like to comment briefly on several of the concepts embodied in S.1784. That bill would replace the current EB and FSC program with one comprehensive program paying a variable number of weeks based on the level of unemployment in the state. There would be a sliding scale of financial responsibility between the state and federal government--the higher the level of unemployment, the greater the federal share. There would be a similar

sliding scale between Federal Unemployment Tax (FUTA) revenues and general revenues in paying for the federal share--the higher the level of unemployment the larger the general revenue contribution. There would appear to be merit in exploring these concepts. The current EB program is either "on" for 13 weeks or not "on" at all. The current FSC program pays a variable number of weeks based on the unemployment rate, but the number available in a state and to an individual can change so often that the program is very nearly inexplicable. S.1784 would limit these changes to four times a year, at the beginning of each quarter.

Conceptually, increasing federal responsibility for financing and increasing the general revenue share of that federal responsibility during periods of higher unemployment is consistent with the philosophy of the current system. Extended benefits are jointly financed by the state and federal governments and benefits beyond EB are financed from general revenues. It has long been our policy that benefits beyond EB should be financed from general revenues.

Although we have not seen specific cost estimates, it appears that the benefits that would be paid under S.1784 would, at least in the short term, increase outlays from both state trust funds and the federal unemployment trust fund. The UI system is currently struggling to regain solvency. The addition of unanticipated financial liabilities would be detrimental. In the quest for solvency, however, we must not forget what the system is here to do. In considering this proposal, the economic impact of higher taxes and the potential disincentive effects of additional weeks of benefits must be balanced against the needs of unemployed workers.

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I would also like to point out that S.1784 includes several provisions that we have repeatedly urged be adopted for the EB and FSC programs. S.1784 would permit some state flexibility in determining work search requirements. Under current law recipients of EB and FSC are required to make an "active and sustained search for work" each week for which benefits are claimed. This means that the individual must visit the place of business of several prospective employers each week and file an application or make an inquiry for work. In labor markets where jobs are available this is appropriate. However, these requirements are not appropriate in areas where no jobs exist. EB and FSC recipients must spend money to travel to companies each week when they know that the firm is not hiring and where they have filed applications previously. We encourage you to allow states more flexibility in determining what constitutes an appropriate work search for EB and FSC recipients, based on local labor market conditions.

Another provision of S.1784 would determine the number of weeks available to individuals claiming benefits on an interstate basis by the number available in the state where he is entitled to benefits. Current law requires that individuals claiming FSC on an interstate basis receive either the number of weeks available in the state where they live or where they are entitled to benefits, whichever is less. The four tier FSC program, with the possibility of movement either up or down by either the agent or liable state makes administration of current law extremely complicated and costly. We urge you to support this provision of S.1784 that would greatly simplify administration of interstate benefits.

Current FSC Program

ICESA is concerned about the complexity of the current FSC program. It is extremely complicated. Administration of interstate claims, just described, is a nightmare. The number of weeks available in a state depdnds on the insured unemployment rate and may change as often as every four weeks. FSC recipients are told that they are potentially eligible for a certain number of weeks when they qualify for the program only to be told later that the number of weeks available has been reduced. We must recalculate the entitlement of an individual several times and are not provided adequate resources for doing this. The formulas for determining how many weeks of benefits an individual is entitled to are so complicated that many of our own employees do not fully understand them. They are almost impossible to explain to FSC recipients. This is frustrating for us as administrators of the program as well as for the recipients. ICESA urges you to take a more streamlined approach as you consider extending the program.

ICESA's staff and membership would be pleased to work with you and provide advice from our perspective as administrators of the unemployment insurance program, as you examine the important issues involved in extending the Federal Supplemental Compensation Act.

600 WALNUT ST.
McKEESPORT, PA. 15132
PHONE 412-678-1409

23

My name is Paul Lodico. I am a member of the Mon-Valley Unemployed Committee and coordinator of the National Unemployed Network. NUN was formed at a conference held this year in Erie, PA, where members of forty unemployed committees shered their experiences both in helping each other survive the effects of unemployment and in fighting for solutions.

What we want are jobs. But that is beyond the scope of this sub-committee. We need legislation to help us save our homes and secure adequate medical care. But these issues, too, are beyond the scope of this sub-committee. What you can and will address is our need for income. We know that during the 1974-75 recession almost three-quarters of the unemployed received benefits. Now, ten months into the jobless recovery, with the rate of unemployment higher that at the trough of the 74-75 recession, less than forty percent of us are collecting benefits.

What we want and need is income until there are jobs. Within the political realities of today legislation can and must be enacted that will;

1. Reauthorize the existing FSC program for six months. Six months will give you both the time and the impetus to revamp the current, complex and iniquitous unemployment compensation system.

2. Immediately disregard the IUR.
This method of triggering extended benefits serves only to eliminate states, and thus unemployed workers, from collecting benefits. Currently only two of the fifty states qualify.

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3. Reach back to provide benefits for those who have exhausted them.
Legislation with any humanity in it must have a provision to cover those who have endured the most.

We have presented our modest demands and will be watching your response.

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23

My name is Paul Marshall. I'm a laid-off steelworker from the Clairton Works of U. S. Steel. I'm laid-off from a mill that is now working with thirty percent of its work force. This means that, with my five years of service, I will never get my job back. When I was laid-off I could not go to school to retrain because the federal and state governments would discontinue my unemployment compensation. Now I am out of benefits and have no money for school. I tried to repoen my claim and pass the state qualifications for distribution of earnings for the four quarters of the year. The federal qualifications are higher so it is impossible for most of us to requalify.

For those whose answer would be public assistance, I have to point out that in my state, if you are able-bodied, you can only receive public assistance for ninety days. Before receiving your first check you must wait thirty days if you were receiving UC.

I have a friend who I worked with who has a family. They lost hope when they had to either sell their home or lose all their equity. After his eighteen-month lay-off, they also had to sell their car and some of their furniture. While collecting unemployment compensation, one of his three children became sick and they had to wait, watching for it to become critical before taking her to a doctor, because they knew they couldn't pay the bill.

Two other young men I knew with families were good workers but could not find work. They asked for help from their leadership to go back to work, to meet the needs of their families and for food, a home, and health care until they could go back to work. No real help came, they had no hope, and they killed themselves. Or were they murdered?

116 Fifth Avenue
McKEESPORT, PA. 15132
PHONE 412-678-1409

My name is Raymond Ganczak. I am 50 years of age, married and have 1 child out of 6 left at home.

I worked at Jones & Laughlin Steel Co. (South Side Works) in Pittsburgh and at the time of my layoff in March of 82' had 19 years service. I was an overhead crane operator.

I am here because as a veteran of the Korean War years, I am appalled and very angry at having to fight my own government. I want a job or I want help and so far my government has callously turned away from all of my efforts to help myself.

This is my situation: I got laid off in March of 82' and at first thought I would be back to work in a short time. But, as the months dragged on the economic situation got worse, and I had to face the fact that I would have no work any time soon. At first with my unemployment and a small savings account I was able to maintain my bills and living expenses. My savings account was soon depleted, and I had been unable to find work although I had been putting in applications in 3 states.

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I began to have to juggle my bills. Paying one bill this week and another the next. My original mortgage was $310 a month, and unemployment checks just don't stretch far enough to pay bills and still have enough to keep food on the table. No matter how hard I tried my mortgage did get behind. When the bank started calling I tried to get them to reduce the payments, but to no avail. Since it was a VA mortgage, they soon sent me a letter. I called them to try to work out a payment plan, but, they refused to work with me as an individual. When they threatened me with foreclosure I looked everywhere for help and found none. Luckily, I saw a TV spot about the Mon Valley Unemployed Committee and then got a leaflet from them offering help with the problems I had. They got a VA rep. to meet me at the Committee office. The VA and MVUC got the bank to reduce my mortgage payments, but only because a group of 2,000 caring people stood behind me. To even meet the lowered payments, I had to let my other committments go. Soon I was being harrassed by bill collectors. Because of my work with the MVUC helping them to help others in trouble like me, I was able to keep from falling apart as so many unemployed are doing.

I still work with the MVUC to help others maintain their sanity. No one who doesn't go through this can know what misery, depression and tension a person undergoes.

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When my U.C. and extended benefits along with my federal benefits had run out I had no recourse but, to go begging to my government for Welfare. Many of the thousands of unemployed are out of all benefits and are trying to get on welfare, but because of Pennsylvania's welfare system cannot get help. Luckily, I got on but, will be soon back in the position of losing my home and any semblence of living a decent life on the pittance I receive. The $335 I receive from Welfare each month will not even cover my reduced mortgage payments. of $200 month and utilities, let alone any other bills.

Most of my creditors have already taken me to court. When others call, I tell them to call a lawyer at legal aid who represents me. He helps keep them off my back.

If I do not get a job, which as we all know don't exist, I must look toward getting some form of Unemployment Benefits. These benefits must be extended, more weeks given, or many thousands will have nothing and turn to the only recourse left to them , CRIME . How can our govenment spend billions for arms & defense and let their own people live in fear and poverty? Without jobs or UC they will have to turn to crime as a last resort.

It doesn't take thousands of nuclear weapons to destroy any country when a few do the same. Using some of this money for jobs or extended UC benefits could get thousands of unemployed back on the road to decent living standards

Thank you!

Testimoney Presented September 13, 1983 to HOUSE OF REPRESENTATIVES
Ways and Means Sub-Committee

I've been asked to speak on the behalf of the NATIONAL UNEMPLOYED NETWORK.

I am the Coordinator for the Erie County Unemployed Council of Erie, Penna. Erie was the Host for a 3-day Organizing Conference in mid-June Over 300 people attended from across the country, representing 18 states and 38 Unemployed Councils.

WE ARE ORGANIZED - and are growing daily. We have no choice; and, it is apparent that there is little concern for our plight.

Councils are struggling across the Country - Pittsburgh, Cleveland, Gary, and others have worked to save their fellow worker's homes. Yes, people are losing homes through no fault of their own.

Yes, people are standing in line at the moment for a small sack of Food. In Erie, 100 distributers of Food are feeding 30,000 people ... bag ... by bag ... by bag.

Where -- Please tell me WHERE this "Promised Safety Net" is! Our Council gets calls every day from people with basic needs ... and no place to turn. There is no where in the Community for them to turn... Healthcare, Housing.

What kind of people are we talking about? We are talking about the hard-working, middle class who are in the process of losing everything they have worked so hard for. 10 or 15 years invested ... and lost in just a few years of Unemployment. WHERE IS THAT SAFETY NET ???

Spend a day or two in front of your local Employment Office. (We refer to this as the UNemployment Office). Talk to the people, LOOK at them... IN THE EYES ... it tells in the EYES. There's a glazed, bewildered look. Ask how many weeks of Benefits they have left. Ask what's next! LISTEN to the HOPELESS reply ... the Hundreds of Job Applications filled... the RUMORS OF JOBS... maybe, a move to new location. H O P E L E S S ... the Welfare Office is what's next with its Proverty-Level standard. And, what if you don't qualify? There's Welfare Reform; you know WHAT THAT IS! That is a way to "disqualify" needy people. WHERE IS THIS RECOVERY ???

Who's fault is it? Not ours. We are ready and willing to work. Business?? They are making a PROFIT. They seem to be doing great ... just watch the Stock Market -- We do! But what about us? Is it our Government -- You are just doing what you're suppose to... but you are making so much ... and we have nothing. Who do WE TURN TO?? Doesn't both Government and Business have an obligation to us. We used to be referred to as the "Back Bone" of America -- America's "back" is breaking. WHERE'S THE SAFETY NET?

I must stop -- time is short.

What we need is a Comprehensive Benefit Package. If you really believe in the Recovery, then what do you have to lose. SAVE US, get us through the Winter... don't just renew the FSC. We need more weeks of Benefits. No more "bandaids", please. Straighten out the arbitrary trigger mechanism. Give us that Safety Net. It's in YOUR HANDS. You CANNOT REFUSE.

Respectfully submitted by:

Jack R. Baublitz, Coordinator
ERIE COUNTY UNEMPLOYED COUNCIL
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STEEL VALLEY UNEMPLOYED CENTER

130 E. 8th. Ave. HOMESTEAD, PA. 15120 (412) 464-1919/1892

STATEMENT BY ART LEIBOWITZ AND ROBERT ANDERSON BEFORE U.S. HOUSE OF REPRESENTATIVES COMMITTEE ON WAYS AND MEANS SUB-COMMITTEE ON PUBLIC ASSISTANCE AND UNEMPLOYMENT COMPENSATION. SEPT. 13, 1983.

REPRESENTATIVES:

It is an insult for us to come here today. At our unemployed center we had a debate about appearing today. Some said yes, some said no. Basically we want to know why we have to come beg for life support programs that are ours by right. It is indignation hurled upon injury to need mortgage, medical and unemployment compensation when the government spends over $38 million per hour on military arms. Like before World War 2 in the depression the gov. said there was no money for benefits but when the war stared everyone had a good paying job. Are we at the same point again?

It is insulting to us who due to no fault of our own have been discarded by the banks and bosses of industry to have to come scraping for minimum wage jobs. Some of our members said go ahead, they'll listen and treat you as a joke when you leave. You see, we remember last summer (1982) when Congress passed the unemployment extension bill which cut off thousands of needy workers and at the same time raised our taxes. We remember the 1930s and we remember how you recently went on to pass yourself a pay riase while we go hungry.

Unemployment isn't a joke. There were more people unemployed in the 74-75 recession and they got better bebefits than we get now in 1983. We know the attempt is to throw a few crums while you scheme what and how to cut and eliminate us. When Congress pays $22 billion to the farmers not to grow food that we desparately need a block of cheese only makes us fighting mad. Perhaps you are thinking we will crawl away for welfare. But we can't do that. Into our office everyday we see the effects of this. What am I to tell the 15 yr. steelworker who came in last Friday whose job was moved overseas by the bankers with their investment capital. What am I to tell him after he lost his house on yesterday's sheriff sale because welfare can't help him with a wife working part time. But that is past now. We had a plan worked out to save his house for a month but his family collapsed from the two years of no job. When Unemployment ran out three months ago it was the last straw. His wife and kids split, the VA owns his house now. Soon he will be gone. What are we to say wait until the President and Congress gets over its anti-Soviet orgy and there will be help. No because even then it will take a major miracle to save him. And you're not inclined to help.

Another worker we have been trying to help find a job came in for some meat and milk. He had been living on saltines for two weeks. We found him a couple bags of groceries. We have done our part but it is you who have the nation's food supply at your command in the Department of Agriculture's surplus warehouses. We also know it is not the Russinas taking our jobs away to low wage non-union countries. While Reagan may wish us away with his focus on foreign policy we will still be here. In our area we will pick up 5,000 more steelworkers next monthwhen U.S.Steel shuts down two more plants.

When these workers come in looking for a jobs bill job you know what we will tell them if you pass another token bill like last spring. We'll tell them first it wasn't nearly enough, and then we'll tell them how you passed the money down through block grants and not CETA so the money wound up not in the streets for jobs but in the budgets of pre-planned construction projects of local governments who used the money to fund favorite son contractors and land developers. It didn't help us at all.

You had better get ready to spend a mega billion dollars jobs bill because the American dream has turned into the nightmare of hol y hell out in our area. Last month two more unemployed union members committed suicide. We already have more time on our hands thanwe have hope. Your trigger mechanisms of insured jobless rates to disqualify us form help is about to be replaced by a new trigger mechanism because we will not sit by while our families go under. We have thousands of people like us here today who have no benefits at all coming in yet we are not counted as unemployed. The real rate in our area is probably about 20%. We won't tell you how to word the new legislation, many of the bills have goodparts, that is your job. We will tell you that it had better be a radical departure from what has been coming down. You better find a way to count correctly and true and pick up all those eliminated in the past year.

We know that it is the federal guidelines which cause state guidelines to cut off more and more of us. In Pa. last month we lost 45,000 workers from the rolls of unemployment because of the mumbo-jumbo formulas set up for the insured rate. This crap only adds fuel to the fire of the people coming into our office. Some are now working two minimum wage jobs, or have two to the family and are counted as working but they are not working. They are stewing mad because they could have lived better on unemployment than on these miserble jobs springing up in Reagan's new recovery. While the parents are at work the children call us up asking for food. We are telling you INCREASE help, don't DECREASE. Do you realize what is happening out here. Some of our members have given up drivers licenses and phones to be able to pay another bill. or buy food. A 59 yr. old steelworker forced to retire due to a plant shutdown can't get an operation for his wife because they own a lifeinsurance policy Welfare says they must sell before being eligible for a medical card. No wonder this man says he can get more help dead than alive.

The people who ran out of benefits last month and the months before have gone through bankruptcy and can't find a job. We have lists of them. These are the people in our area who have worked years and have nothing now. These are the people you had better figure out a way to pick up or find a job real soon. This form of government doesn't make much sense any longer to us when we can't get any help while the rich are getting more and more.

GRANT R. SYKES
5001 SEMINARY ROAD, APT. 910
ALEXANDRIA, VIRGINIA 22316

August 28, 1983

STATEMENT ON SUPPLEMENTAL
COMPENSATION PROGRAM
September 16, 1983

GENTLEMEN: I am submitting this statement on behalf of the overwrought taxpayers of this once great republic.

The Supplemental Unemployment Insurance Program should be allowed to die a quiet and unmourned death on September 30. In fact, the entire unemployment insurance scheme should be put to death because it is totally without any redeeming value to the American society.

My reasons in support of my position are as follows

1. Many workers have made and will continue to make a career living bilking the system. Many workers work just long enough to qualify for unemployment benefits and then they quit work and take a paid vacation, making just enough in the drug or other underground economies to do as well or better than while doing socially beneficial work. The system accordingly encourages low paid workers to abandon work careers, it fosters idleness and crime.

2. The system is open to widespread fraud.

3. The system costs real jobs to pay for idlenes It is especially burdensome on small businesses and new enterprises, and it leads to job cuts.

4. Better means exist to protect laid-off workers by contract provisions assuring severance pay and pensions.

Thank you for giving me an opportunity to make my views known to this Committee.

Grant R. Sykes

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